Our Planet

The United Nations Environment Programme's Magazine for Environmentally Sustainable Development

This issue of
Our Planet,
produced for the World Summit on Sustainable Development (WSSD),
was made possible by the generosity of

ISG, LLC,

a company that provides the private sector with solutions
in resource conservation and risk reduction;
see Page 26:
Training for transformation
Richard Wiewiorka, Vice Chairman, ISG, LLC, and Chairman, LEAD USA;
Roy Herberger, President, Thunderbird

UK Department for Environment, Food and Rural Affairs

(DEFRA);
see Page 19:
Recapturing momentum
Margaret Beckett,
Minister for the Environment, Food and Rural Affairs, United Kingdom

Environment Canada;

see Page 11:
Beyond brackets
David Anderson,
Minister of the Environment, Canada

Head Office
27 Devonshire Road, Cambridge CB1 2BH, UK
Tel: +44 (0) 1223 306 320 Fax: +44 (0) 1223 306 310 e-mail: bart@ourplanet.com website: www.ourplanet.com

US Representative
Dr Patrick O'Heffernan
380 Fawn Drive, San Anselmo, CA 94960, USA
Tel: +1 415 453 9573

Volume 13 Number 2 2002

planet

UNEP

...ustainable development

Contents

Shanley Lemhan/UNEP/Topham

Ryoichi Sasaki/UNEP/Topham

UNEP/Topham

This issue of **Our Planet** was made possible by the generosity of ISG, LLC, a company that provides the private sector with solutions in resource conservation and risk reduction; the UK Department for Environment, Food and Rural Affairs (DEFRA); and Environment Canada.

The articles by Thabo Mbeki and Goran Persson are based on speeches given at the preparatory conference for WSSD in June 2002.

3 **Editorial**
Klaus Töpfer, Executive Director, UNEP

4 **Agenda of hope**
Thabo Mbeki, President of the Republic of South Africa

6 **Changing the paradigm**
Fernando Henrique Cardoso, President of Brazil

8 **Only one Earth**
Colin L. Powell, Secretary of State, United States of America

11 **Beyond brackets**
David Anderson, Minister of the Environment, Canada

13 **African Renaissance**
Mohammed Valli Moosa, Minister of Environmental Affairs and Tourism, Republic of South Africa

15 **Unmissable opportunity**
Goran Persson, Prime Minister of Sweden

16 **At a glance: GEO-3**

18 **Asking the people**

19 **Recapturing momentum**
Margaret Beckett, Minister for the Environment, Food and Rural Affairs, United Kingdom

21 **Taking the measure of unsustainability**
Partha Dasgupta, Frank Ramsey Professor of Economics, University of Cambridge

24 **Breaking the grid lock**
Mark Moody-Stuart, Chairman, Business Action for Sustainable Development

26 **Training for transformation**
Richard Wiewiorka, Vice Chairman, ISG, LLC, and Chairman, LEAD USA; Roy Herberger, President, Thunderbird

28 **Bring big business to account**
Martin Khor, Director, Third World Network

30 **Out of the changing room**
Peter H.Y. Wong, Deloitte Touche Tohmatsu

32 **'Dear delegates...'**
Bushra Razack

Our **Planet**

www.ourplanet.com

Additional articles on the Internet:

Two sides of the same coin
Jaime Matas Palau, Minister for the Environment, Spain

We need a dream
Sunita Narain, Director, Centre for Science and Environment, New Delhi

UNEP

Our Planet, the magazine of the **United Nations Environment Programme** (UNEP).
PO Box 30552, Nairobi, Kenya.
Tel. (2542) 621 234; fax 623 927; telex 22068 UNEP KE;
e-mail: cpinfo@unep.org
www.unep.org

ISSN 1013-7394

UNEP Publisher: UNEP Communications and Public Information: Nick Nuttall
External Editor: Geoffrey Lean
US Representative: Patrick O'Heffernan

A Banson production
Printed by Swaingrove Repro, United Kingdom
Front cover: Hong-Mei Jing/UNEP/Topham

The contents of this magazine do not necessarily reflect the views or policies of UNEP or the editors, nor are they an official record. The designations employed and the presentation do not imply the expression of any opinion whatsoever on the part of UNEP concerning the legal status of any country, territory or city or its authority, or concerning the delimitation of its frontiers or boundaries.

The non-copyrighted contents of this magazine may be reprinted without charge provided that ***Our Planet*** and the author or photographer concerned are credited as the source and the editors are notified in writing and sent a voucher copy.

Our Planet welcomes articles, reviews, illustrations and photos for publication but cannot guarantee that they will be published. Unsolicited manuscripts, photographs and artwork will not be returned.

Subscriptions: If you wish to receive ***Our Planet*** on a regular basis and are not currently on the mailing list, please contact Mani Kebede, Circulation Manager, ***Our Planet***, for subscription details, giving your name and address and your preferred language (English, French or Spanish).

Change of address: Please send your address label together with your new address to: Mani Kebede, Circulation Manager, ***Our Planet***.

This magazine is printed on paper made from 100 per cent recycled waste material. It is bleached without any damage to the environment.

Editorial

B. Wohlsa/UNEP

KLAUS TÖPFER
United Nations Under-Secretary General and Executive Director, UNEP

It is easy to be cynical about the world's political machinery and the way it appears to listen to itself – and be deaf to the needs of the people, the planet and those, in grinding poverty, in need of prosperity. But I believe that there is a glimmer of hope, reflecting a mood that many of the world's leaders from North and South appear willing to nurture.

Last year, in Doha, Qatar, it was agreed to bring environmental issues into the new round of World Trade Organization talks. This is not without its struggles or free from differences of opinion. But it is a new, and much needed, start towards developing and delivering a balanced world, one that delivers growth and prosperity and respects the planet and all its people.

Development

A few months ago, in Monterrey, Mexico, nations agreed to a significant increase in development aid, reversing a declining trend that has seen it fall to 0.22 per cent of rich countries' national wealth. The reversal is not enough – but it is a reversal.

We also have the Africa action plan, recently endorsed by the G8 Summit, and the New Partnership for Africa's Development (NEPAD). African countries have agreed to put their house in order so that rich and poor nations can work together in mutual trust to heal this extraordinary continent's environmental, social and economic wounds and release its potential to overcome poverty.

UNEP will be working tirelessly with its United Nations partners and friends to make the World Summit on Sustainable Development (WSSD) a success – to make it a Summit of concrete actions that turn the promises of Rio into reality.

We have drawn up a list of 'deliverables' in areas from marine pollution to engaging civil society and increasing public awareness.

We will also be pressing hard for richer countries to turn the pledges made in Doha, Monterrey, Canada and elsewhere into hard cash to implement these deliverables – and to change their unsustainable patterns of consumption and production.

We want to see the Global Environment Facility, which has done so much for conservation and helping to deliver sustainable development, replenished this year at an acceptable level.

Diversity

We will strive, with UNESCO, to get the issue of cultural diversity – in relation to biodiversity, with which it is powerfully linked – onto the international agenda.

Without cultural diversity, without an anchor in our past, we face a poorer future in psychological, spiritual, economic and human terms. We risk losing our resilience, our species' natural ability to survive and adapt in the face of change. This links directly to the need to develop globalization with a human face along the lines called for by Secretary-General Kofi Annan.

Without diversity, we risk becoming like a monoculture plantation forest, highly vulnerable to pests, high winds and other extreme change.

The consequences of failure in Johannesburg are too disturbing to contemplate. Unless a new course is charted for planet Earth we risk a new 'Iron Curtain', dividing not East and West but the haves and the have-nots – with all the ramifications of increasing political, social and economic instability, and all the risks of increased tensions, jealousies and hatreds between and within countries.

We stand no more than a toe-print into a new century. Despite all the complexities and difficulties of the choices we face, I remain optimistic for the world's oceans, rivers, forests, atmosphere, wildlife and people.

The Malmö Declaration of 2000 says it all:

> **'At the dawn of this new century, we have at our disposal the human and material resources to achieve sustainable development, not as an abstract concept but as a concrete reality. The unprecedented developments in production and information technologies, the emergence of a younger generation with a clear sense of optimism, solidarity and values, women increasingly aware and with an enhanced and active role in society – all point to the emergence of a new consciousness. We can decrease poverty by half by 2015 without degrading the environment, we can ensure environmental security through early warning, we can better integrate environmental consideration in economic policy, we can better coordinate legal instruments and we can realize a vision of a world without slums. We commit ourselves to realizing this common vision.'**

AGENDA OF **HOPE**

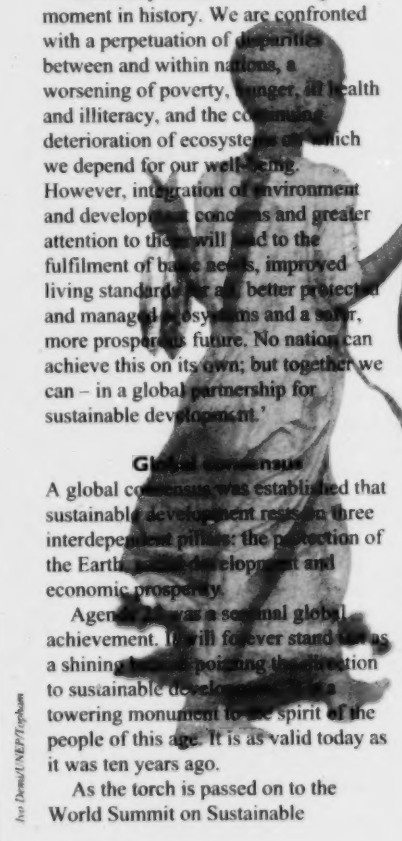
THABO MBEKI calls on the world's leaders to build on the successes of the previous summits and to eradicate poverty

Ten years ago, the United Nations Conference on Environment and Development, the 'Rio Earth Summit', brought together leaders and nations of the world to change the course of history.

The world declared with one voice: 'Human beings are at the centre of concerns for sustainable development. They are entitled to a healthy and productive life in harmony with nature.'

In the opening lines of Agenda 21, the nations of the world pronounced that:

'Humanity stands at a defining moment in history. We are confronted with a perpetuation of disparities between and within nations, a worsening of poverty, hunger, ill health and illiteracy, and the continuing deterioration of ecosystems on which we depend for our well-being. However, integration of environment and development concerns and greater attention to them will lead to the fulfilment of basic needs, improved living standards for all, better protected and managed ecosystems and a safer, more prosperous future. No nation can achieve this on its own; but together we can – in a global partnership for sustainable development.'



Ivo Demil/UNEP/Topham

Global consensus

A global consensus was established that sustainable development rests on three interdependent pillars: the protection of the Earth, social development and economic prosperity.

Agenda 21 was a seminal global achievement. It will forever stand out as a shining beacon pointing the direction to sustainable development, as a towering monument to the spirit of the people of this age. It is as valid today as it was ten years ago.

As the torch is passed on to the World Summit on Sustainable Development – the 'Johannesburg World Summit' – the enormity of the responsibility and challenge becomes tangible. We receive it on behalf of the victims of unsustainable development, concerned citizens of the world, and our children and future generations, to whom the Earth really belongs.

The umbilical link between Johannesburg and Rio extends to Stockholm. The United Nations Conference on the Human Environment, which took place there, resulted in three decades of unprecedented global concern about the negative impact of human activity on Mother Earth.

Power to transform

Let us recall that in Stockholm the world declared: 'Man is both creature and moulder of his environment, which gives him physical sustenance and affords him the opportunity for intellectual, moral, social and spiritual growth. In the long and tortuous evolution of the human race on this planet, a stage has been reached when, through the rapid acceleration of science and technology, man has acquired the power to transform his environment in countless ways and on an unprecedented scale. Both aspects of man's environment, the natural and the man-made, are essential to his well-being and to the enjoyment of basic human rights, the right to life itself.'

Today, 30 years later, we have fewer fish in the seas, more carbon dioxide being pumped into the atmosphere, more desertification, more soil erosion and more species extinction.

Our very development model is questioned daily by the Earth's ecosystem on which all life and all economic activity is dependent. Our patterns of consumption and production cannot be left unchecked.

If the Chinese citizen is to consume the same quantity of crude oil as his or her United States counterpart, China would need over 80 million barrels of oil a day – slightly more than the 74 million barrels a day the world now produces. If annual paper use in China of 35 kilograms per person were to climb to the United States level of 342 kilograms, China would need more paper than the world currently produces.

The period since the Rio Earth Summit has been one of unprecedented global economic growth. Growth in the world economy in the year 2000 alone exceeded that during the entire 19th century.

Yet people continue to die of hunger; babies are born, grow up and die without being able to read or write; many fellow humans do not have clean water to drink; and people die of curable diseases. The gulf between rich and poor members of the human race widens as we speak.

The Johannesburg World Summit must take further our pledge at the Millennium Summit to eradicate poverty. It must focus on implementation and action. Its outcome must make sense to she who has to walk for kilometres to fetch drinking water and to she who spends hours gathering firewood for energy. It must also speak to he who consumes more than the Earth can give.

Triumph of spirit

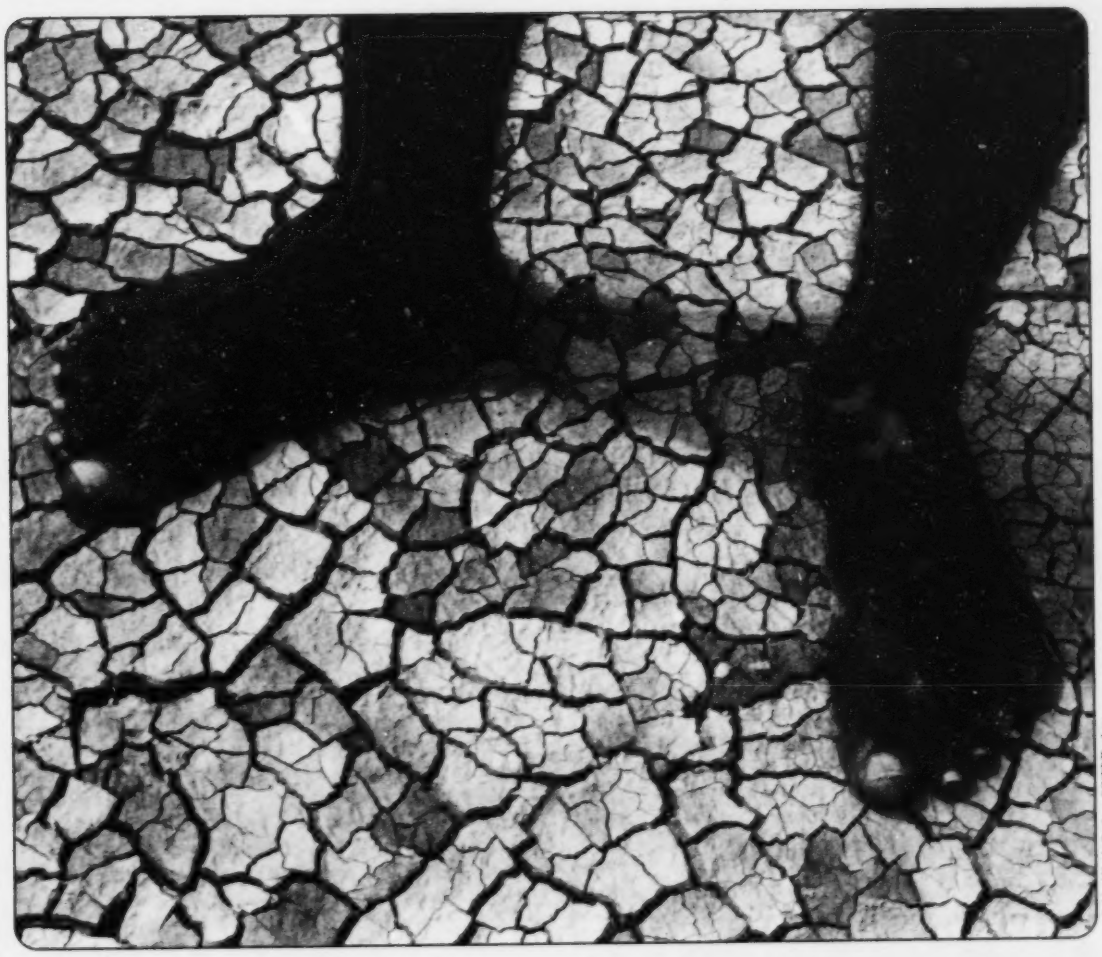
When leaders of the world gathered in Rio in 1992, my country was still under apartheid rule. I did not enjoy the right to vote. Uncertainty and conflict loomed.

But the human spirit triumphed. South Africa is now a democracy in which we live in harmony as we struggle to eradicate the legacy of over 300 years of colonialism and apartheid. Since the victory in 1994, 7 million people have access to clean water, over 1 million homes for poor people have been built, over 2 million more homes now have electricity and every child has a place in school.

And South Africa is acting as host to the World Summit on Sustainable Development.

At the time of Rio this was all a dream.

We all know that people can change



Pablo Alfredo De Lucca/UNEP/Topham

and that it is possible to change the lives of the poor. We also must believe that it is possible for us to live in harmony with nature.

A global partnership for sustainable development and for the eradication of poverty is within reach. Genuine human solidarity is both possible and necessary.

On behalf of the people of Johannesburg and South Africans in general, I invite leaders of the world and representatives of people from all walks of life to join us in the pursuit of this agenda of hope. Let us decide on a programme to change the lives of people, to protect the planet and to build prosperity.

A global partnership for sustainable development and for the eradication of poverty is within reach

Human society disposes of the means and the know-how to achieve these goals. Nobody can truthfully argue that the global community of nations is too poor to defeat global poverty.

Nobody can truthfully argue that there is a larger human imperative or decisive constraint that makes it obligatory that we must destroy the environment. Together we must give real meaning to the solemn pledge that was made in Rio ten years ago:

'Human beings are at the centre of concerns for sustainable development. They are entitled to a healthy and productive life in harmony with nature.'

Together let us, in action, repeat the words of the African poet, Ben Okri:

'Break this cycle
Break this madness
Let new fevers rise in this
Radiant act of faith
Destroy this temple of living hell
Let us join our angers together
Forge a new joy for the age.
Before our lives disintegrate
Create
New breaks.'

From Stockholm to Rio de Janeiro to Johannesburg let us continue to forge a new joy for the age ■

Thabo Mbeki is President of the Republic of South Africa.

Gilberto Casals-in/UNEP/Topham

Changing the paradigm

FERNANDO HENRIQUE CARDOSO says that in many ways the Earth has slipped backwards over the last decade, and pledges to help revive the Rio spirit in Johannesburg

The world has changed since the Rio Earth Summit in 1992 – but unfortunately, in many respects, not for the better.

Some countries are reluctant to incorporate the concept of sustainable development into their strategic government planning, or to fulfil the commitments of Agenda 21. They are even delaying their contribution to international efforts to alleviate the impact of human activity on the environment.

The results achieved over the past ten years are worrying. The Convention on Biological Diversity, which broke new ground through envisaging an international system of access to genetic resources, has not yet succeeded in bringing about fair and equitable sharing of the benefits of exploiting biodiversity.

The Kyoto Protocol, which we hope will finally come into force this year, has not been ratified by large countries chiefly responsible for greenhouse gas emissions.

There has been no structural change to unsustainable models of production and consumption in the developed world. The throwaway culture still prevails, producing unsustainable levels of residues and waste.

The principle established in Rio that all nations have common but differentiated responsibilities for preserving living conditions on the planet has not been translated into additional resources, nor has it led to the transfer of clean technologies to developing countries.

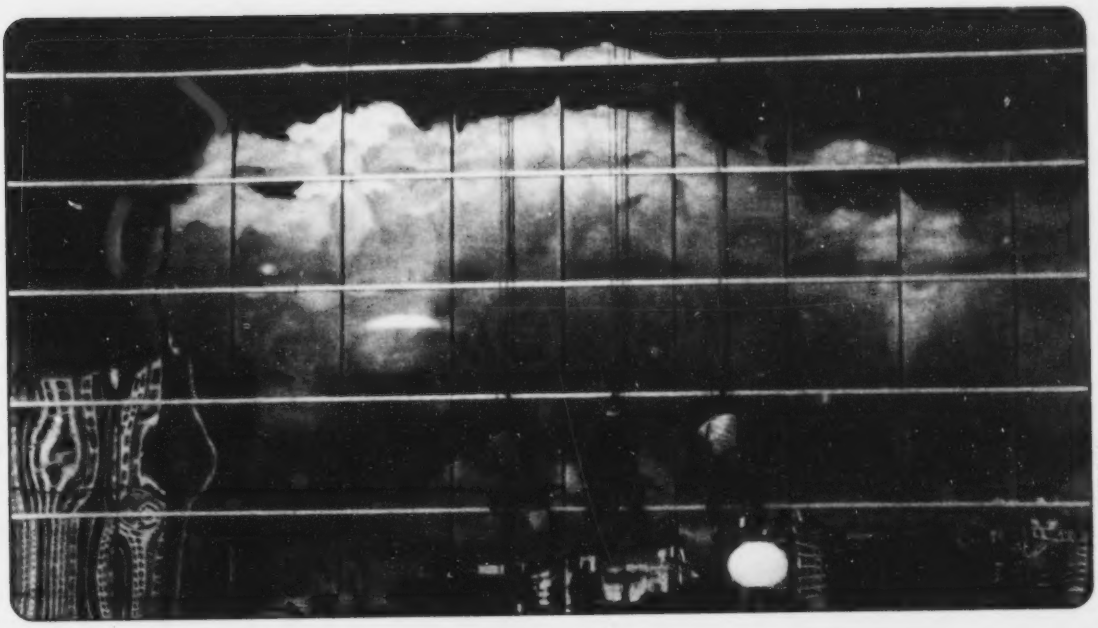
On the contrary, we are witnessing the predominance of ideas that are more conservative than those of ten years ago. Concerns about the price to be paid for sustainability, and about sacrifices that might have to be made in economic growth in order to guarantee future living conditions, now determine attitudes towards environmental issues.

As if it were possible to measure the well-being of a society only by such criteria as national earnings or gross domestic product! An increase in a country's revenues or GDP does not always automatically translate into a better quality of life for its citizens. Many areas of development depend on suitable public policies, on responsible and ethical business practices, on greater social awareness, on voluntary work and philanthropy. Indeed, development depends on all sectors of society working together to achieve sustainability.

Progressive governance

Such development is part of what is commonly called 'progressive governance'. This aims to present an alternative to predatory development, which destroys nature and even threatens the survival of the human race. Broadly speaking, it depends on democracy and the participation of the population in the decision-making process.

It is not easy to carry through a paradigm change of this magnitude. Large-scale mobilization is needed to counteract



Rafael J. Costa/UNEP/Topham

the hardening positions of some actors and the timidity of others.

This is what we hope will happen at the World Summit on Sustainable Development in Johannesburg in August, which will take stock of the decade since the Rio Summit and try to overcome the obstacles that prevent the full implementation of its decisions.

It will be a unique opportunity for countries that are key players on environmental issues to attend in force, so as to raise awareness among the international community. Organizations representing civil society also need to be there in significant numbers. Public opinion has advanced further than that of conservative governments or environmentally irresponsible companies and can play a part in moving things forward.

Responding to challenges

We need to guarantee that the Johannesburg Summit will launch innovative initiatives for sustainable development. Without losing sight of concerns traditionally associated with the battle to save the environment – like conserving the rainforests – it is imperative that we respond to the new challenges of our age. We need to promote the sustainable use of water, to find new sources of renewable energy, and to clarify the link between poverty and the depletion of natural resources.

Africa, a continent dear to us all, symbolizes how much people can suffer because the world has failed to find an alternative way of achieving development.

An increase in a country's revenues or GDP does not always automatically translate into a better quality of life for its citizens

I am pleased to be able to say with certainty that Brazil has made some progress in this direction over the past ten years. Partly because we hosted the Earth Summit in 1992, Brazilians are now very conscious of the importance of sustainable development to their future.

It was gratifying to see the Kyoto Protocol recently receiving the approval of our National Congress in response to strong public demand. Brazil has made an enormous effort in combating poverty. It is already reflected in changes in such social indicators as infant mortality and schooling and, before long, it will certainly be reflected in economic indicators as well.

Brazil is not in a position to provide economic resources to help other countries fight poverty, but we can contribute with our experience, through examples of successful social welfare or personnel training programmes, or even through the participation of Brazilian companies in such sectors as infrastructure and sanitation. We realize that a healthier, better educated population means higher and better productivity within a virtuous circle of sustainable development.

Brazil is aware of its responsibility to preserve the 'Rio legacy' and will bring a constructive approach to the Johannesburg Summit. Ours is the approach of a nation that understands that sustainable development means including and integrating global, national and local aspects. Above all, it is the approach of a nation pledged to the vision of the whole of humanity joined in universal solidarity as citizens of our planet ■

Fernando Henrique Cardoso is President of Brazil.

ONLY one EARTH

COLIN L. POWELL
says that sustainable development is a moral, humanitarian – and security – imperative, and calls for a sustained global effort to achieve it

The World Summit on Sustainable Development comes barely 20 months after we welcomed in the new century. Despite the stories and images of trouble we read in our newspapers and view on our television screens, this is a time of great opportunities to expand peace, prosperity and freedom. The spread of democracy and market economies, combined with breakthroughs in technology, permits us to dream of a day when, for the first time in history, most of humanity will be free of the ravages of tyranny and poverty.

We live in a century of promise. Our responsibility now is to turn it into a century of hopes fulfilled, a century of sustained and sustainable development that enriches all our peoples without impoverishing our planet.

When we talk of sustainable development, we are talking of the means to unlock human potential through the interlocking threads of economic development based on sound economic policies, social development based on investment in health and education, and responsible stewardship of the environment. Sustainable development is for the United States, and for me personally, a compelling moral and humanitarian issue.

But sustainable development is also a security imperative. Poverty, environmental degradation and despair are destroyers – of people, of societies, of nations. This unholy trinity can destabilize countries, even entire regions.

A decade ago, at the United Nations Conference on Environment and Development in Rio de Janeiro, Brazil, 172 countries adopted a wide-ranging blueprint for action to achieve sustainable development worldwide. While there have been ups and downs, and progress has been uneven, we have seen real improvements since then.

For example, over the past decade, the proportion of people in developing countries struggling to make ends meet on less than $1 per day has dropped from 29 per cent to 24 per cent. Infant mortality has declined by more than 10 per cent, and mortality among children under five is nearly 20 per cent less.

Countries that have opened their economies have done better than those that remain closed. A World Bank study found that over the course of the 1990s, the 24 developing countries that increased their global trade and investment most also increased income per person much more than those that did not – six percentage points more, in fact. In those countries, the number of people living on less than $1 per day dropped by 120 million between 1993 and 1998.

We have also seen the conclusion and implementation of important environmental agreements, such as those to reduce substances harmful to the air we breathe and to control the spread of deserts.

But, while we have progressed along the road to hope, we have far to go in a world where one person in five still suffers in extreme poverty, where a baby's chances of surviving to adulthood still depends on the accident of where he or she is born, and where illegal logging still devastates forests.

Mapping the way forward

Over the past nine months, a series of major conferences and negotiations has helped map the way forward. The Doha Development Round of World Trade Organization negotiations, the World Food Summit review conference in Rome, and the G8 Summit in Canada all forged stronger agreement on the path to development. The 'Monterrey Consensus', adopted by leaders and ministers from 171 countries at the United Nations Conference on Financing and Development, was an historic affirmation of the need to mobilize all sources of development financing, which also proclaimed the centrality of 'sound policies, good governance at all levels, and rule of law' to sustainable development. As Hernando De Soto has so aptly said, 'the hidden architecture of sustainable development [is] the law'.

The next stop on this long road is the World Summit on Sustainable Development in Johannesburg.

The United States will be taking three very important messages to Johannesburg. First and foremost, we are committed to supporting sustainable development. President Bush left no doubt on this score in his March 14 speech at the InterAmerican Development Bank, when he stated on behalf of the American people that: 'the advance of development is a central commitment of American foreign policy'.

We will also carry the message that sustainable development must begin at home, with sound policies and good governance. Both official assistance and private capital are most effective when they go to governments that rule justly, invest in their people, and encourage economic freedom.

Official assistance is important. That is why President Bush announced that the Administration will seek Congressional approval to increase America's core development assistance by 50 per cent over the next three years, resulting in a $5 billion annual increase over current levels. These additional funds will go to a new Millennium Challenge Account that will fund initiatives to help developing nations that are strongly committed to good governance, the health and education of their people, ▸

Ron Lesch/UNEP/Topham

and good economic policies that foster enterprise and entrepreneurship.

But, as important as official assistance is to improving people's lives, trade and private capital flows are even more significant. Trade dwarfs aid. America alone buys $450 billion in goods from the developing world every year, some eight times the amount developing countries receive in aid from all sources.

Official development assistance is also only a fraction of private capital flows. In 1999, for example, the private sector accounted for 82 per cent of the nearly $300 billion in long-term resource flows to developing countries.

Attracting this money isn't easy. Capital is a coward. It flees from corruption and bad policies, conflict and unpredictability. It shuns ignorance, disease and illiteracy.

Capital goes where it is welcomed and where investors can be confident of a return on the resources they have put at risk. It goes to countries where women can work, children can read, and entrepreneurs can dream.

Seizing opportunities

But good policies alone are not enough. People must be able to seize the opportunities. So the third message we will take to Johannesburg is that governments civil society and the private sector must work in partnership to mobilize development resources to unleash human productivity, reduce poverty, promote healthy environments and foster sustainable growth.

We are already deploying the power of partnerships. For example, the United States and South Africa have initiated the Congo Basin Forest Partnership. This innovative partnership with non-governmental organizations (NGOs), industry, and other governments, will help slow and even reverse deforestation in the Congo Basin. It will not only create national parks where none before existed, but will also ensure the livelihoods of those living in and around the forest and strengthen the ability of governments to enforce their forest conservation laws.

The New Nigeria Foundation is a unique partnership linking oil companies, NGOs and local communities on issues ranging from information technology to agriculture.

The Water for the Poor Alliance marries the resources and leadership of the Conrad N. Hilton Foundation with civil society and USAID to provide potable water to 400,000 rural West Africans.

We also support the Access Initiative, in which the World Resources Institute has partnered with more than 25 civil society organizations in nine countries to assess how well governments are providing access to information, permitting public participation, and providing justice to their citizens.

America's vision for Johannesburg is to build on these three messages – commitment, good policies and partnerships – by inviting developed and developing nations to join us in opening our economies and societies to growth, for growth is the key to raising people out of poverty.

We will also invite developed and developing nations to join us in providing freedom, security and hope for present and future generations, while providing all our people with the opportunity for healthy and productive lives.

And, recognizing that we have only one home, and it is Earth, we will invite developed and developing nations to join us in serving as good stewards of our natural resources and our environment.

To this end, we will initially work for concrete actions in seven areas essential to sustainable development – health, energy, water, sustainable agriculture and rural development, education, oceans and coastal management, and forests. We will work to unite governments, the private sector and civil society in partnership to strengthen democratic institutions of governance, open markets, and mobilize and use all development resources more effectively.

We are already doing a great deal in these areas. For example, the United States has provided $500 million to the Global Fund to Fight HIV/AIDS, TB and Malaria; launched a $500 million Mother and Child HIV/AIDS Prevention initiative for Africa and the Caribbean; doubled funds for the African Education Initiative for training and scholarships; and increased funding for agricultural development assistance programmes by 25 per cent.

In our budget request for Fiscal Year 2003, we have asked for $4.5 billion for climate spending, an increase of $700 million over this year. This request includes funding for basic science, technology research and development, business and agriculture incentives, and international activities.

President Bush has also taken the lead in creating a new international norm to increase the use of grants instead of loans for the poorest countries, especially in assistance from multilateral development banks. This approach, endorsed by the leaders of the industrialized countries at the recent G8 Summit, will complement existing initiatives to help alleviate the crushing burden of debt facing highly indebted poor countries.

Combining assets

But in all of these areas, we can and must do more. We need governments, businesses and the organizations of civil society, individually and in partnerships, to work in support of these pressing human needs. That is why we established the Global Development Alliance to combine the assets of government, business and civil society to work in partnership on implementing sustainable development programmes.

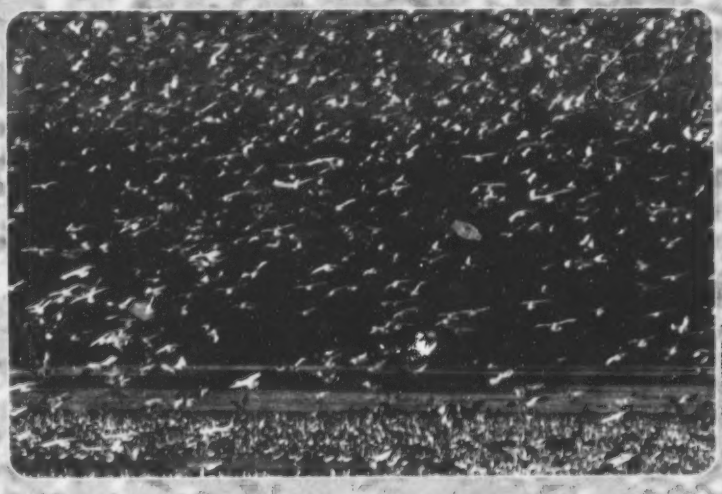
Sustainable development is a marathon, not a sprint. It does not follow from a single event like the Johannesburg Summit, important as it is, but from a sustained global effort by many players over a long period of time. Sustainable development requires institutions, policies, people and effective partnerships to carry our common effort beyond Johannesburg and far into the future.

The United States is committed to building a world where children can grow up free from hunger, disease and illiteracy. A world where all men and women can reach their human potential free from racial or gender discrimination. A world where all people can enjoy the richness of a diverse and healthy planet. And a world of hopes fulfilled for all God's children ■

Colin L. Powell is Secretary of State, United States of America.

BEYOND BRACKETS

DAVID ANDERSON emphasizes the importance of environmental strands in the fabric of sustainable development and suggests ways forward



Nawrang Hussey/UNEP/Topham

'Our future lies between your square brackets,' a youth delegate told the assembled negotiators at the 1992 Earth Summit.

A decade later, these words still resonate as a reminder of the high purpose propelling the international community to the World Summit on Sustainable Development – to help build a better life for more people, and to make the world a safer place in the process.

For many people, life remains a chaotic struggle for survival. A struggle that thousands lose every day, millions every year. Turning this situation around means replacing chaotic struggle with more secure, predictable access to the necessities of life for present and future generations.

Such is the goal of sustainable development, a global strategy to promote conditions that lead to a higher quality of life for more human beings in a way that maintains the capacity of the planet over the long term.

But where do we start? By ensuring access to freshwater? Yes. Or education? Yes. Or gainful employment? The answer is again yes. We must work to achieve all of these, and much more.

Fundamental issues

Sustainable development is about ensuring the presence of what any of us would identify as fundamental to our own ability and that of future generations to live secure, productive and fulfilling lives.

So, to water, education and employment we must add nutrition, shelter and health care. We must add access to energy and natural resources, agricultural productivity, safe working conditions, accountable government, a fair justice system, respect for human rights, and freedom of cultural expression and spiritual pursuits.

And still the list is far from complete.

Over recent years, through the United Nations, countries of the world have met and reached agreement on how to address many of these issues. While each of those agreements forms an indispensable component of the growing sustainable development agenda, our tendency has been to deal with them largely in isolation from each other. Our implementation is too often uncoordinated, even at cross purposes, producing mixed results and falling short of the progress envisioned in Rio a decade ago.

We are learning, however, to understand more holistically the interactions among the fundamentals of human well-being. We now see that generating wealth in ways that damage the environment only produces more poverty. We realize that protecting the environment in ways that undercut a community's livelihood leads to social unrest and ever greater pressures on the environment.

Now there is growing momentum for drawing together all the separate threads of the sustainable development agenda and weaving them into a fabric of human progress. A fabric in which their mutual reinforcement will make them stronger and more durable.

The strands of that fabric in which I am particularly interested are in the realm of the environment. It is abundantly obvious that human well-being relies heavily on the quality of the air we breathe, the water we drink, the food we eat, and the natural bounty of the environments in which we live.

Somewhat more subtle is how environmental conditions can undermine human health. How lead contamination reduces the ability of our children to learn. How smog aggravates asthma, dioxin causes cancer, and ozone depletion suppresses immunity. How extreme weather events at the hand of global warming can wipe out a food crop. When we impoverish the environment, we impoverish ourselves. We short-change the human potential and curtail the prospects of development.

High stakes

And the stakes with respect to the environment go well beyond the quality of life. Our very opportunity to exist depends on the capacity of planet Earth to support living things.

Yet, as chronicled by UNEP's *Global Environment Outlook 3*, that capacity continues to be damaged, in many instances beyond its ability to regenerate, and with tragic consequences for humanity.

Environmental resources are being overexploited and mismanaged. The size and quality of our natural assets are dwindling. We are still losing species. Coral reefs are dying at an alarming ▸

rate. The impacts of a changing climate are becoming more and more evident. Water resources are under increasing pressure. Forests are shrinking and desertification is accelerating.

The importance of the environment in the sustainable development equation is clearly fundamental. United Nations Secretary-General Kofi Annan's suggestion that the Summit focus its efforts in particular on water, energy, health, agriculture and biodiversity illuminates this point.

Of course, it is one thing for us to embrace this point and quite another to act on it.

Over the 30 years since the Stockholm Conference of 1972, the international community has undeniably made impressive advances in addressing many environmental issues.

As the leading environmental authority within the United Nations, UNEP has been instrumental in the development of a wide range of international agreements and conventions on advancing protection of the world's biological diversity and the ozone layer, as well as the sound management of chemicals and persistent organic pollutants. UNEP continues to facilitate coordinated action through practical tools such as the recently approved UNEP guidelines on compliance with, and enforcement of multilateral environmental agreements.

In the decade since Rio, governments have also made many

When we impoverish the environment ... we short-change the human potential and curtail the prospects of development

significant achievements in recognizing the integration of the three pillars of sustainable development.

However, implementation of this vision remains one of the great challenges confronting the international community. A couple of factors have particular bearing on this question.

One is that the roots of the problems we are addressing can be traced throughout society, and so all of society must participate in their solution. Governments cannot, nor should they, do it alone. Sustainable development is everyone's responsibility.

Working partnerships

We must work in partnership with civil society, including the private sector, which is in many cases best positioned to offer the appropriate and required talents and resources. In this regard, we have learned that openness, transparency, and trust among all partners is key.

We must strive to realize the proper linkages between environmental, social and economic aspects, as well as better coordinate the various multilateral agreements.

This leads to the question of how we organize ourselves to ensure effective, coordinated intergovernmental action. Environment ministers have recognized the need for a stronger international environmental governance system that focuses our attention on institutional coherence and capacity-building to support the implementation of existing international agreements.

Improved environmental governance will help us to deliver results – not simply for their obvious and important environmental ends, but because they have other beneficial impacts on economies, on societies, and on the health of people.

This is a key step towards sustainable development. We need effective government that takes action on environmental, economic, social and health issues, and gives its people peace and lasting improvements to quality of life.

On this small planet, the fate of all people is bound together. Improving the well-being of any improves it for all.

Sustainable development is therefore ultimately about our relationships with each other and with the planet on which we live. Future progress will come not from expressions of intent but from changes to the underlying structures that govern those relationships.

As we begin to unpack our square brackets at Johannesburg the questions are: how close to that day are we now? And how much closer can we get? ■

David Anderson is Canada's Minister of the Environment and President of UNEP's Governing Council.

AFRICAN Renaissance

MOHAMMED VALLI MOOSA describes how the launch of the African Union strengthens Africa's contribution to the success of the World Summit

This year South Africa has had the honour of hosting two major international summits which together will help to bolster the emerging African Renaissance and lay the foundations for the future sustainable development of our continent. The Inaugural Summit of the African Union, held in Durban from 28 June to 10 July, launched a new and exciting phase in the history of African integration. The world now descends on Johannesburg, from 26 August to 4 September, for the World Summit on Sustainable Development (WSSD). WSSD is expected to strengthen global action to promote poverty eradication and sustainable development, which will complement and support our own efforts to regenerate the economy of our continent. These two events offer us a unique opportunity to pave the way for a brighter future for Africa.

New departure

The launch of the African Union (AU) represents a new departure for our continent. In 1999 African leaders decided to establish the AU as the successor to the Organization of African Unity, to continue the task of building a strong and united Africa in an era of unprecedented global change and uncertainty. The launch of the AU signals in particular a recognition of the need for greater economic integration in order to avoid the further marginalization of African countries in the new global economy. The AU will provide a framework within which the necessary partnerships between governments, people, businesses and civil society can be strengthened in order to promote the economic and social development of our continent.

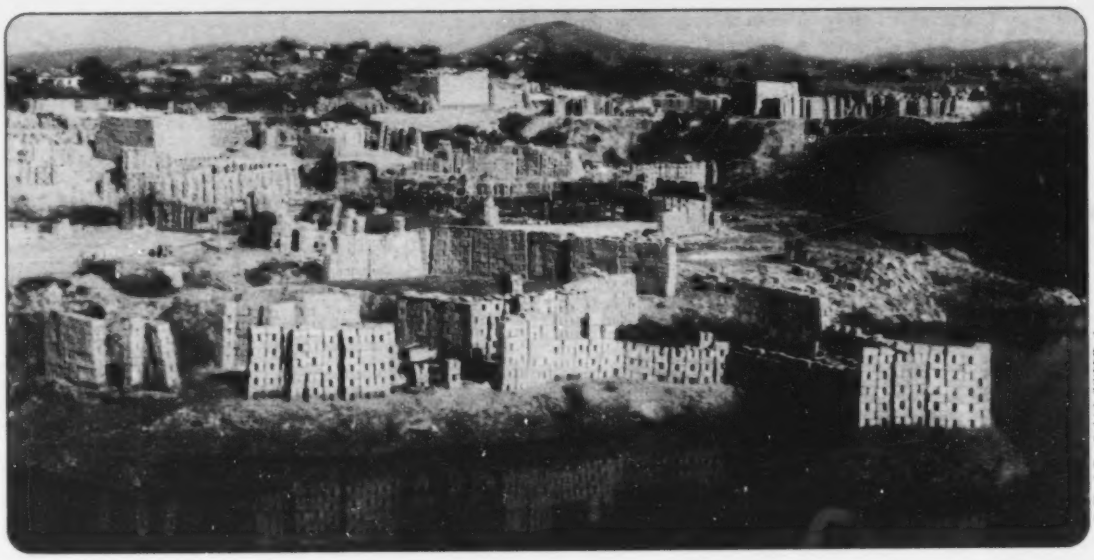
The African Union will be underpinned by the New Partnership for Africa's Development (NEPAD), which will undoubtedly play a major role in helping to achieve the objectives of the AU. NEPAD will enable us to channel political will and resources into concrete action. This pledge by African leaders and governments, based on a common vision and commitment, to eradicate poverty and position their countries, individually and collectively, is clearly Africa's own blueprint for sustainable development.

As a path of sustained growth and development NEPAD is a comprehensive response to the challenges that the world must face at WSSD. It is a basis on which we go to the Summit seeking constructive partnerships. At the same time it is also a basis for calling on the international community for support. As such, NEPAD articulates an African programme for sustainable development based on shared global responsibility.

Impact on poverty

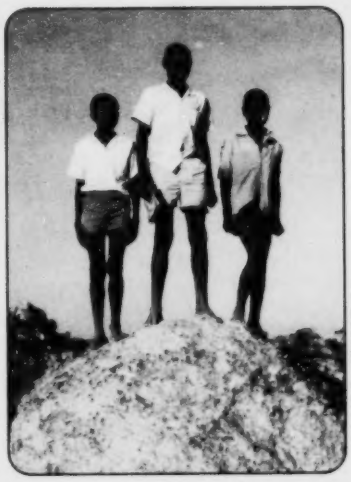
It is with the strategic objectives of the AU and NEPAD in mind that we approach WSSD. The overall challenge for the Summit is poverty eradication. Johannesburg must deliver a concrete programme of action if it is to have real impact on the lives of the millions of people around the world who still live in poverty.

In Africa, 340 million people, or half the population, live on less than $1 per day. The mortality rate of children under five years of age is 140 per 1,000, and life expectancy at birth is only 54 years. Only 58 per cent of the population have ▸



G. Claude Rauffenbach/UNEP/Topham

Lang Santorelli/UNEP/Topham



Roland T. Frank/UNEP/Topham

access to safe water. The rate of illiteracy for people over 15 is 41 per cent. There are only 18 mainline telephones per 1,000 people in Africa, compared with 146 for the world as a whole and 567 for high-income countries. In a world that has seen massive accumulation of wealth over the last decade – this is unacceptable and must be tackled head on.

Action, not words

There is an emerging consensus that if we are serious about eradicating poverty then WSSD must be about action not words. We already have global political commitment at the highest levels to poverty eradication and sustainable development, in the shape of Agenda 21 and the Millennium Development Goals. The challenge now is to translate that commitment into an implementable plan of action.

In this context the United Nations Secretary-General, Kofi Annan, has identified five specific areas where concrete results are both essential and achievable in Johannesburg:

Water and sanitation. More than 1 billion people globally are without safe drinking water. Twice that number lack adequate sanitation. And more than 3 million people die every year from diseases caused by unsafe water.

Energy. Two billion people globally currently do not have access to modern energy services. We need to make clean energy supplies accessible and affordable. We need to increase the use of renewable energy sources and improve energy efficiency.

Agricultural productivity. Land degradation affects perhaps as much as two thirds of the world's agricultural land. As a result, agricultural productivity is declining sharply, while the number of mouths to feed continues to grow. In Africa, especially, millions of people are threatened with starvation.

Biodiversity and ecosystem management. Biodiversity is declining at an unprecedented rate – as much as a thousand times what it would be without the impact of human activity. Half of the tropical rainforests and mangroves have already been lost. About 75 per cent of marine fisheries have been fished to capacity; 70 per cent of coral reefs are endangered.

Health. Communicable diseases, especially HIV/AIDS, cholera, tuberculosis and malaria, represent a serious obstacle to sustainable development. More than 1 billion people globally breathe unhealthy air, and 3 million people die each year from air pollution – two thirds of them poor people, mostly women and children, who die from indoor pollution caused by burning wood and dung.

Johannesburg must deliver a concrete programme of action if it is to have real impact on the lives of the millions of people around the world who still live in poverty

Decisive action in these areas at the international level would improve the lives of millions of people on our continent, and would complement action at the regional level under NEPAD. We must, however, recognize that such action cannot be delivered by governments alone. It will require partnerships between all the relevant stakeholders, including governments, local communities, the private sector, non-governmental organizations and international agencies. But we must ensure that these partnerships are orchestrated in such a way as to deliver our objectives.

We now need to ensure that as much money as possible is targeted where it is needed most – in Africa. The birth of the AU will make this a momentous year for Africa, and will hopefully increase the chances of success of the biggest ever United Nations summit to be held on African soil. The AU is our one most important contribution to the success of a pursuit for prosperity for the people of our planet ■

Mohammed Valli Moosa is Minister of Environmental Affairs and Tourism, Republic of South Africa.

UNMISSABLE OPPORTUNITY

GORAN PERSSON describes how it is everyone's business to make the Summit a success

The Johannesburg Summit (WSSD) offers a great opportunity to give new energy to international cooperation and to strengthen global solidarity. It is an opportunity make real progress in achieving the goals set out in Rio ten years ago. It is an opportunity that we are not allowed to miss.

We know where we want to go; we have agreed the overarching goals for development in Agenda 21 and the Millennium Declaration. Now we need to give our full attention to 'how to do it' and 'who should do what'.

If the Summit is to be a success, it must be action-oriented and must start to bring about real change to those who need it most: people living in extreme poverty, in cities or the countryside; children who are sick due to lack of access to safe drinking water and to heavy pollution; women who have to spend most of their day looking for wood so that they can cook.

Hope for the young

The Summit must also bring hope to all the world's young people. Hope for a juster and safer world, characterized by greater solidarity and growing opportunities for all. Our challenge is to ensure a globalization that unites instead of marginalizes, one that works for sustainable development instead of against it.

In Johannesburg we need to take concrete steps in this direction. This is a question of political credibility, not just for individual political leaders, but for the United Nations system as a whole.

To succeed, we need active participation and contributions from civil society, from experts of different disciplines – and from the private sector. While governments have a clear responsibility to ensure that sustainable development can be achieved, we cannot do it alone. We need to work in partnership with all sectors to gather the resources needed, both human and financial. Sustainable development is everybody's business.

More action, fewer words

This summer Sweden hosted an anniversary conference in Stockholm 30 years after the first United Nations Conference on the Human Environment, where 250 participants from 66 countries and 14 international organizations worked together. It was valuable in analysing the lessons learned since 1972 – and how to best progress now. There was frustration due to the lack of progress in implementation, but there was also a lot of energy and hope. The message from youth organizations was clear – 'we want to see more action and fewer words'.

The bottom-up approach has been a central part of the preparations for Johannesburg. Local, national and regional experiences in implementing Agenda 21 and promoting sustainable development have been the basis for elaborating the Summit's agenda. If we are to move from words to action we need to share knowledge and good examples.

Progressive policies

In Sweden we have adopted a national sustainable development strategy that ties together efforts in different sectors – economic, social and environmental. Progressive social policies form a central basis of our work for sustainable development. Investments in people and labour market policies are ▸

Continued on page 18...

UNEP/Topham

The planet is at a critical crossroads, concludes UNEP's newly published *Global Environment Outlook 3* report (GEO-3). The choices made today will be critical for the forests, oceans, rivers, mountains, wildlife and other life support systems upon which current and future generations depend. The study – a collaboration between UNEP and some 1,000 individuals and 40 institutions around the world – is the most authoritative assessment to date of where we have been, where we have reached, and where we are likely to go. It provides an opportune brief for the World Summit on Sustainable Development. It gives an overview of the main environmental developments over the past three decades – and of how social, economic and other factors have contributed to the changes that have occurred (some examples are given on these pages).

Though the world has made great strides in placing the environment on the agenda, the twin evils of poverty and excessive consumption continue to put enormous pressures upon it. GEO-3 breaks new ground by using scenario analysis to explore the environmental outlook, fast-forwarding the reader into an array of alternative futures that provide insight on where events could lead us, depending on different policy approaches. The different scenarios are:

- **Markets First**, where most of the world adopts the values and expectations prevailing in today's industrialized countries.
- **Security First**, where the more powerful and wealthy groups focus on self-protection in a world of striking disparities where inequality and conflict prevail.
- **Policy First**, where decisive initiatives are taken by governments in an attempt to reach specific social and environmental goals.
- **Sustainability First**, where a new environment and development paradigm emerges in response to the challenge of sustainability.

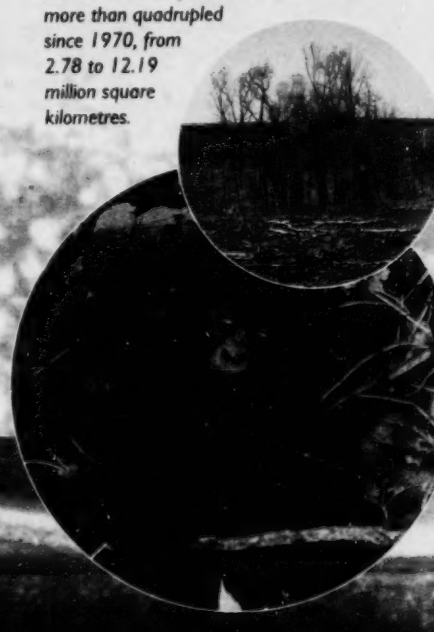
The report identifies key areas for action to ensure the success of sustainable development. Prime among them are alleviating poverty, reducing excessive consumption, reducing the debt burden of developing countries, and ensuring adequate governance structures and funding for the environment. UNEP is convinced that it lies well within the scope of human determination and ingenuity to come up with appropriate policy packages and use them to ensure that fundamental environmental conditions will get steadily better, not stealthily worse ■

T. Alipalo/UNEP/Topham

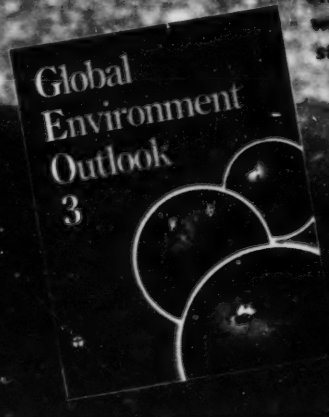
John Moran/UNEP/Topham

Forests and biodiversity

The Food and Agriculture Organization of the United Nations estimates that forests have declined by 2.4 per cent since 1990. The loss and fragmentation of forests, wetlands and mangroves have increased the pressures on the world's wildlife. Twelve per cent of the world's birds and nearly a quarter of its mammals are currently regarded as globally threatened. By the end of 2000 about 2 per cent of forests had been certified for sustainable forest management and the total extent of protected areas, such as national parks, had more than quadrupled since 1970, from 2.78 to 12.19 million square kilometres.



J. E. Cossé/UNEP/Topham



GEO-3

Atmosphere

Depletion of the ozone layer has reached record levels. In September 2000, the ozone hole over Antarctica covered more than 28 million square kilometres. Yet between the adoption of the Montreal Protocol in 1987 and the year 2000, the total consumption of ozone depleting chemicals was cut by 85 per cent, and the ozone layer is expected to recover to pre-1980 levels by the middle of this century.

Meanwhile concentrations in the atmosphere of the greenhouse gas carbon dioxide now stand at 370 parts per million, 30 per cent higher than in pre-industrial times, and concentrations of other such gases, including methane and halocarbons, have also risen. Under the 1997 Kyoto Protocol, industrialized nations are required to reduce greenhouse gas emissions by around 5 per cent from 1990 levels between 2008 and 2012.

Donn Bell/UNEP/Topham

Tom Stoddart/UNEP/Topham

Freshwater

The proportion of the world's people with improved water supplies increased from 79 to 82 per cent over the 1990s. But around 1.1 billion people still lack access to safe drinking water, and 2.4 billion to improved sanitation. Diarrhoea kills about 2.2 million people a year, equivalent to 20 jumbo jets crashing every day. Some 80 countries – with 40 per cent of the Earth's population – were suffering serious water shortages by the mid-1990s and about half of the world's rivers are seriously depleted and polluted.

Marcos Cristiato/UNEP/Topham

Lorraine Adams/UNEP/Topham

Teoh Chin Hock/UNEP/Topham

Coastal and marine areas

By 1994, an estimated 37 per cent of the world's people were living within 60 kilometres of the coast – more people than were alive on the whole planet in 1950. Marine contamination may be costing nearly $13 billion a year in terms of human disease and ill health. Just under a third of the world's fish stocks are now ranked as depleted, overexploited or recovering as a result of overfishing fuelled by subsidies estimated at up to $20 billion a year. UNEP's Global Programme of Action for the Protection of the Marine Environment from Land-based Activities was launched in 1995, and revitalized in 2001, while its Regional Seas Programme now covers nearly all of the planet's marine environment.

Land

Around 2 billion hectares of soil – 15 per cent of the Earth's land, and an area bigger than the United States and Canada combined – is now classed as degraded because of human activities. One sixth of this is either 'strongly' or 'extremely' degraded.

Yuri Abramochkin/UNEP/Topham

AT A GLANCE

Continued from page 15...

productive engines for growth. Human resources are the most important factor in achieving sustainable development.

Ensuring basic welfare and decent jobs for all is also a condition for promoting popular commitment to the protection of the environment. Meanwhile strong environmental policies and investments in new technologies generate economic and social opportunities.

The launching of new partnership initiatives to contribute to the implementation of Agenda 21 and the Millennium Development Goals through the WSSD Implementation Plan is promising. But this does not mean that we as government leaders can avoid our responsibility. We need clear intergovernmental commitments to implementing agreed targets and goals in Johannesburg. We need to demonstrate our readiness to work together with partners in the North and South, in civil society and in the private sector.

To make a real difference and to deliver results that match the challenges, we need everybody's commitment and participation – and strong political leadership. This is the only way forward ■

Goran Persson is the Prime Minister of Sweden.

Asking the people

What of those not at Johannesburg – the ordinary people around the world whose aggregate actions will determine the Summit's ultimate success?

Taking their pulse reveals considerable concern and support. Majorities of people in 28 of a wide range of 30 countries polled by MORI (Market and Opinion International), containing two thirds of the world's population, want more legal protection for the environment. Results ranged from 91 per cent of those surveyed in Greece, to 54 per cent in India – with China, Japan, France, Italy, Spain, Mexico, Chile, the Republic of Korea, the United States of America, Germany, Brazil and Russia all topping 60 per cent.

Worldwide awareness

Polls clearly show that people worldwide understand the importance of the environment and sustainability in their lives. Some 69 per cent of those surveyed in Britain agreed that environmental damage affects their daily life; 39 per cent of those polled by Roper Worldwide in 30-countries said protecting the environment is a very important principle to them. The percentages were even higher in Germany, Egypt, Argentina, the Philippines and India. Even in the currently distracted United States, a Gallup poll found that – while concern with the environment has fallen – 57 per cent see pollution of rivers, lakes and streams as a top environmental concern and 29 per cent cited fears about global warming. Meanwhile, in another poll, 65 per cent of Americans saw the reduction of biodiversity as a serious problem. Across the Pacific, in one poll only 12 per cent of Japanese surveyed about the impact of whaling on biodiversity wanted the practice to continue.

Corporate responsibility

People are also looking to corporations for a sustainable world. The MORI Millennium Poll found that almost six in every ten mentioned environmental protection as a corporate responsibility. Indians rank environmental respect fourth out of 12 desired roles that firms should play in society. In the United States, a majority of people see protecting the environment as a core government responsibility, and 90 per cent of respondents want information on companies' environmental and social records. In the United Kingdom, 71 per cent said private firms were not doing enough to safeguard the environment. In a blunt warning to industry and governments, 49 per cent of Europeans surveyed said they would not buy a product made in a country with poor environmental and social standards. Clearly, the people of the world think a great deal about the goals of the World Summit on Sustainable Development (WSSD) and want both public and private sectors to act on them ■

Patrick O'Heffernan

UNEP/Topham

Recapturing *momentum*

MARGARET BECKETT underlines the warnings of the *Global Environment Outlook* report and calls for globalization to be made to work for sustainable development

In Johannesburg we have a vital opportunity to change our world for the better. It is important we take it. We can no longer shy away from action to help build a world that can develop in a prosperous and sustainable way. The alternative may be a world not worth living in at all – or one in which millions are simply unable to live.

Recently I was pleased to speak at the global launch of UNEP's third *Global Environment Outlook* report in London. This publication marked a critical stage in the run-up to the World Summit on Sustainable Development (WSSD) and will, I believe, play a pivotal role in thinking about sustainable development both there and beyond. It is an unequivocal reminder that the disintegration of the environmental pillar of sustainable development will lead to the inevitable collapse of others. That is why, at Johannesburg, environmental objectives must be placed squarely at the heart of global sustainable development.

GEO-3 shows how far the world has come since the Rio Earth Summit ten years ago – and points the way towards a more sustainable future.

Tackling shared problems

Rio marked a turning point in how the world treats its natural inheritance, and the inheritance it leaves for generations to come. It led to concerted international efforts to tackle shared problems facing the world on a global scale – problems such as climate change, land degradation and the threat to biodiversity.

Ten years on, there is an acceptance worldwide that progress towards many of our established goals has fallen short of the standards that social, economic and moral values demand. More than 1.2 billion people still live on less than one dollar a day. At least 1.1 billion people lack access to safe drinking water and about 2.4 billion to adequate sanitation. In Africa, about one third of the population is undernourished – and that number is increasing.

Degradation of natural resources such as land, fresh and marine waters, forests and biodiversity threatens the livelihoods of many, but especially threatens the poorest. GEO-3 depicts a divide between the haves and have-nots, which is growing, not diminishing, and shows those who are least equipped to cope increasingly exposed to the greatest threat of environmental catastrophe.

It used to be said that we needed to tackle climate change for the sake of our grandchildren, or at least of our children. Today humankind increasingly sees it as a threat and a challenge to today's generation.

Three pillars

Sustainable development rests on three pillars – economic, social and environmental. Past experience demonstrates with increasing clarity the need to keep all three factors in play. It is constantly showing us how dire poverty and environmental degradation feed one on the other. The environment provides the natural resources and ecosystem upon which human interests depend. When these fail, environmental degradation is increasingly exacting a human as well as a natural penalty. The task at Johannesburg is to recapture the momentum of Stockholm and Rio and to use it to engage the efforts of civil society, business and other non-governmental actors. Governments alone cannot ensure the success of the Summit. But acting alongside the skills, energies and expertise of business and non-governmental organizations (NGOs) we can build partnerships to deliver real and lasting change.

The United Kingdom's strategic objective for WSSD is to make globalization work for sustainable development, especially for the world's poorest. We want to make the Doha Development Agenda and the Monterrey Financing for Development conference part of a continuum of change to focus our efforts on delivering the sustainable development necessary, whether it is to achieve the Millennium Development Goals or other international targets.

Working towards success

As head of the UK delegation to the final preparatory meeting in Bali, I did all I could to promote these aims. Although we did not make as much progress as we had hoped, much was achieved and the United Kingdom will work closely with other partners to deliver success at Johannesburg.

As ever, we need governments to provide more aid, but the point has been forcibly made – not least recently by President Museveni of Uganda – that while aid is worthwhile, it matters little, perhaps not at all, unless we take other steps such as opening up our markets to agricultural produce. This point is driven home by the stark realities. While the OECD countries collectively contributed $50 billion to official development assistance (ODA) in 2000, they spent in excess of $350 billion ▸

Tom Mosaff/UNEP/Topham

Poverty, terrorism, disease, climate change, migration, drug abuse ... are the new challenges to the international community

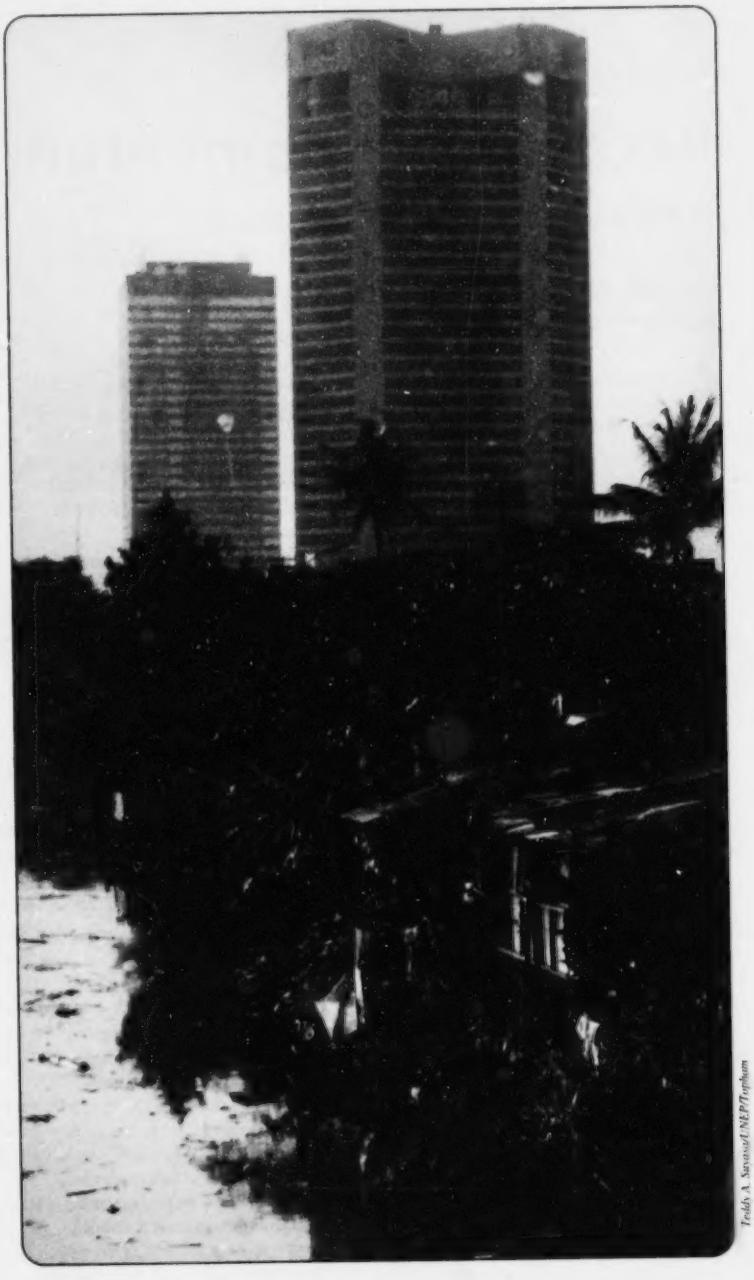
on agricultural subsidies. As I am also the minister responsible for agriculture in the United Kingdom I am acutely aware of this.

In Europe, there are both domestic and international reasons why we should seize the opportunity for a comprehensive shift in the focus of the Common Agricultural Policy, and do so now. It is needed to underpin sustainable development at home, for successful and affordable enlargement of the European Union (EU) and to reinforce the EU's position in the World Trade Organization negotiations. As importantly, it is necessary to make our agriculture more competitive, and to ensure our rural economies can flourish.

In Africa particularly, agriculture is key to sustained economic growth. As the largest sector it is vital in providing sustainable livelihoods, accounting for two thirds of the labour force, one third of GDP and half of exports. The Doha Development Agenda should lead developed countries to shift support from trade-distorting subsidies towards environmental and rural development goals. Such reductions in subsidies alongside improvements in market access are essential.

Meeting responsibilities

The Summit is about sustainable development in all countries, not just about North-South relationships. As developed countries we must meet our responsibilities and reduce our demands on the planet. Resource productivity is an important part of this; low carbon economies and sustainable energy are areas where OECD countries can, and must, show a lead. I have therefore strongly supported the EU's efforts to give priority to sustainable production and consumption, and to national strategies for sustainable development at the Summit.

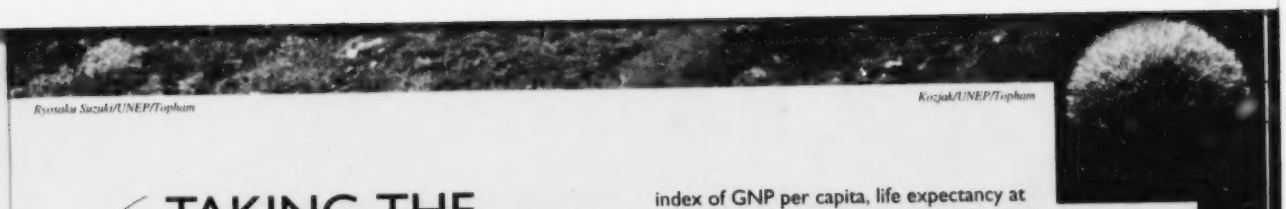


Trish A. Steward/UNEP/Topham

In a globalized world no one nation can solve what are collective problems. Poverty, terrorism, disease, climate change, migration, drug abuse – these are the new challenges to the international community.

At Johannesburg we have an opportunity to take up those challenges, to ensure that the many fine words spoken at Rio, and since, can become a reality, through the application of political will, practical steps and partnerships. We seek no great master plan, but Johannesburg will have been successful if, through the engagement of different actors in a range of different activities, we can create a mosaic of implementation and achievement ■

Margaret Beckett is Secretary of State for the Environment, Food and Rural Affairs, United Kingdom.



Ryotaku Suzuki/UNEP/Topham

Kozjak/UNEP/Topham

TAKING THE MEASURE OF **unsustainability**

PARTHA DASGUPTA

looks beyond conventional yardsticks of development and reaches some surprising conclusions

It was not until the 1950s that the prospects of economic development in the then newly emerging countries of Asia and Africa became an established subject of research. Unfortunately economists then became enamoured of the idea that increases in gross national product (GNP) were the key to economic development. To be sure, they recognized GNP growth as only a means to an end, but it soon took on a life of its own in policy discussions: to ask 'growth in what?' was to be answered at once 'growth in GNP'. Development economics rapidly acquired a central dogma – that, for poor countries, raising the rate of investment was the route to sustained economic development.

In time, two problems were noted. First, unless goods and services were valued at their appropriate prices, investment would be directed at the production of the wrong sorts of goods: the development experience soon became littered with examples of industries that managed to survive only because of protection from domestic and foreign competition. Second, the returns could be abysmally low, even if the right investment projects were chosen, if prevailing institutions were weak. During the 1970s, development economists focused on the first of these problems and searched for ways to identify socially productive investment projects and defendable economic policies. Since then their focus has shifted to the second problem, because of growing acknowledgement that governments in poor countries have all too frequently not functioned in their citizens' interest.

Institutional reform

So development economists today study institutional reform – such as ways to increase the efficacy and reach of markets, and measures to reconstruct weakened or failed local communitarian institutions. This emphasis on institutions as a vehicle for economic development has sidelined policy analysis to a certain extent. But a policy that is desirable in one institutional setting could well be undesirable in another. Policy choice and institutional reform are interconnected exercises.

Even if the focus of research has changed, the coin with which economic development is measured has continued to be based on GNP per capita. In recent years the United Nations' Human Development Index (HDI) – a combined index of GNP per capita, life expectancy at birth and literacy – has been added. But both measures reflect short-run concerns, while the question of whether contemporary patterns of development are sustainable requires us to peer into the distant future.

An economy's long-term prospects are shaped by its institutions, and by the size and distribution of its capital assets. Taken together, these form its productive base, the source of a society's well-being through time.

Economists call the value of an economy's capital assets wealth. I adopt here a comprehensive notion of wealth: the list of assets includes manufactured ones (roads and buildings; machinery and equipment; cables and ports), human capital (knowledge and skills), and a wide array of natural capital (oil and natural gas; fisheries and forests; ecosystem services). To say that wealth has increased is to say that, in aggregate, there has been a net accumulation of capital assets. In what follows I shall call this genuine investment – in contrast to recorded investment. As the services of many capital assets are missing from national accounts, genuine investment can be negative even when recorded investment is positive.

Measuring sustainability

It can be shown that wealth measures a society's well-being, taking both its present and future into account. After correcting for population change, the well-being of present and future generations, considered together, increases if genuine investment is positive. So changes in the wealth-like measure brought about by economic policies can be used to identify whether these lead to a sustainable pattern of development.

By contrast, GNP – as the sum of aggregate consumption and gross investment – is insensitive to the depreciation of capital assets. It can increase for a time even when an economy's genuine investment is negative and wealth declines. This can happen if, say, increases in GNP are brought about by mining capital assets – such as by degrading ecosystems and depleting oil and mineral deposits – without investing some of the proceeds in substitute ▶

Aye Aye Chit Sue/UNEP/Topham

forms of capital, such as human capital. So there is little reason to expect movements in GNP to parallel those in wealth. GNP cannot be used to identify sustainable development policies: nor, as we will see, can HDI.

National accounts are now highly sophisticated, but they miss changes brought about by economic activities to the stocks of many natural resources. They also fail to record the use we make of a myriad of nature's services – including maintaining a genetic library, preserving and regenerating soil, fixing nitrogen and carbon, recycling nutrients, controlling floods, filtering pollutants, assimilating waste, pollinating crops, operating the hydrological cycle, and maintaining the composition of the atmosphere. These are missed because they usually do not come with a price tag. The reason is that property rights to natural capital are often impossible to establish, let alone to enforce, because it is often mobile (birds, butterflies, river water and the atmosphere are proto-typical).

With effort, it would still be possible to assign notional prices to nature's services that would go some way toward reflecting their scarcity values. As matters stand, the effect of the interconnectedness of various forms of natural capital often go unrecorded in economic transactions. So those who, for example, destroy mangroves to create shrimp farms are not required to compensate the fishermen dependent on them. Meanwhile, ponds, tanks, threshing grounds, grazing fields and woodlands harbour mobile resources, making them unsuitable as private property.

Rural communities in poor countries have long recognized these deep underlying problems and developed local institutional mechanisms to overcome them. Researchers have recently identified a wide variety of non-market – often communitarian – institutions in rural communities that mediate economic transactions in nature's services. Unhappily, communitarian institutions have recently eroded in many of the world's poorest regions. When they are neither stayed nor adequately replaced, the poorest frequently suffer most as their local environmental resource base deteriorates.

Tracing ripples

A policy change can create all sorts of effects rippling through the system, unnoticed by those unaffected. Tracing the ripples requires understanding non-market interactions and their interplay with markets. Identifying sustainable development policies involves, among other things, valuing the ripples and, therefore, nature's services. We can now appreciate how the weaknesses of national accounts mirror those in policy evaluation. As nature's services are typically underpriced, it is reasonable to fear that modern economic development has probably been rapacious in using natural capital.

How much does genuine investment fall short of recorded investment? The World Bank has provided estimates of genuine investment in some countries by adding net investment in human and natural capital to estimates of investment in manufactured capital. They are

National accounts are now highly sophisticated, but they miss changes brought about by economic activities to the stocks of many natural resources

incomplete: for example, only commercial forests, oil and minerals, and the atmosphere as a sink for carbon dioxide were included among the resources making up natural capital (water resources, forests as agents of carbon sequestration, fisheries, air and water pollutants, soil, and biodiversity were excluded). So there is an undercount, possibly a serious one. Moreover, some of the methods deployed for estimating prices are dubious. Nevertheless, one has to start somewhere.

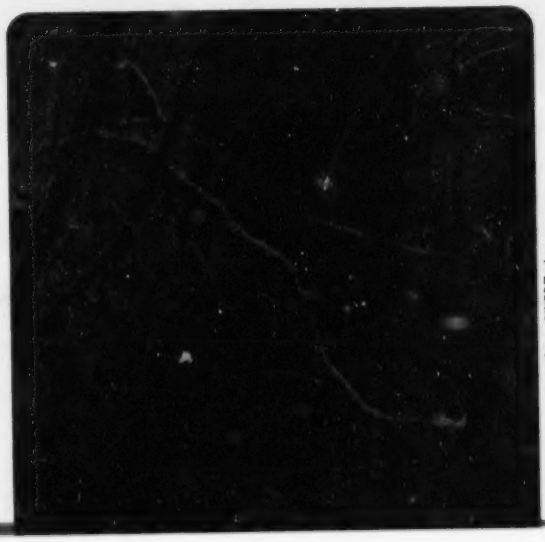
Measuring investment

The accompanying table uses the World Bank figures and assesses the character of recent economic development in sub-Saharan Africa, the Indian sub-continent and China – where the bulk of the world's 1 billion poorest people live.

The first column contains the World Bank's estimates of genuine investment, as a proportion of GNP, during 1973-1993. Bangladesh and Nepal have disinvested: their aggregate capital assets declined. By contrast, genuine investment has been positive in China, India, Pakistan and sub-Saharan Africa. But when population growth is taken into account, the picture changes.

The second column of figures contains the annual rate of population growth during 1965-1996. All but China experienced growth rates over 2 per cent per year, sub-Saharan Africa and Pakistan reaching 3 per cent. I next estimated the average annual change in wealth per capita during 1970-1993 – by multiplying genuine investment as a proportion of GNP by the average output-wealth ratio of an economy to arrive at the investment-wealth ratio, and then comparing changes in the latter to changes in population size.

Since a wide variety of capital assets (for example, human capital and various forms of natural capital) are unaccounted for in national accounts, there is a bias in published estimates of output-wealth ratio. Traditionally this has been taken to be something like 0.30 per year. I have used 0.15



James Barker/UNEP/Topham

Kocjak/UNEP/Topham

Genuine investment and wealth accumulation in selected regions

	Genuine investment as proportion of GNP 1973-93[1]	Average annual population growth rate (%) 1965-96	Average annual % change in per capita wealth 1970-93[2]	Average annual % change in per capita GNP 1965-96	Trend in UNDP's HDI 1987-97[3]
Bangladesh	-0.003	2.3	-2.40	1.0	+
India	0.107	2.1	-0.50	2.3	+
Nepal	-0.015	2.4	-2.60	1.0	+
Pakistan	0.082	2.9	-1.70	2.7	+
Sub-Saharan Africa	0.047	2.7	-2.00	-0.2	+
China	0.144	1.7	1.09	6.7	-

Notes:

1. *Genuine investment includes total health expenditure (i.e., public plus private), estimated as an average during 1983-1993, from data supplied by the World Health Organization.*
2. *At constant prices.*
3. *Assumed output-wealth ratio: 0.15 per year.*

Sources: Hamilton and Clemens (1999) World Bank Economic Review *13(2) 333-56; personal communication Katie Bolt (World Bank); World Bank; WHO; UNDP.*

per year as a check against the bias in traditional estimates for poor countries. Even these figures are almost certainly too high.

The third column of the table contains my estimates of the annual rate of change in the per capita wealth-like index I mentioned earlier. To arrive at the figures, I multiplied genuine investment as a proportion of GNP by the output-wealth ratio, and then subtracted the population growth rate. This is a crude way to adjust for population change, but more accurate adjustments would involve greater computation.

The striking message of the third column is that there has been capital decumulation during the past 30 years or so everywhere except in China. This may not be surprising for sub-Saharan Africa, but should be for Bangladesh, India, Nepal and Pakistan. Even China – so greatly praised for its progressive economic policies – has only just managed to accumulate wealth ahead of population growth. Using a lower – almost certainly more accurate – figure for the output-wealth ratio would reduce China's accumulation rate. Besides, the estimates of genuine investment do not include soil erosion or urban pollution, both thought to be especially problematic in China.

Challenging conventional statistics

How do these changes compare with those in conventional measurements? The fourth column contains estimates of the rate of change of GNP per head during 1965-1996, and the fifth records whether the change in the United Nations' Human Development Index over 1987-1997 was positive or negative.

Notice how misleading our assessment of long-term economic development in the Indian sub-continent would be if we were to look at growth rates in GNP per head. In Pakistan, for example, this grew at a healthy 2.7 per cent per year, implying that the index doubled in value between 1965 and 1993. The figures imply, however, that the average Pakistani became poorer by a factor of about 1.5 during that same period.

Bangladesh too has decumulated capital. It is recorded as having grown at a rate of 1 per cent per year during 1965-1996 in terms of GNP per head. Yet the figures imply that the average Bangladeshi was about half as wealthy at the end of the period as at the beginning. India has avoided a steep decline in wealth per head. But, if the figures are taken literally, the average Indian was slightly poorer in 1993 than in 1970.

The situation in sub-Saharan Africa is especially sad. At an annual rate of decline of 2 per cent in wealth per head, the poverty of the average person in the region doubles every 35 years. The table reveals that the region has experienced an enormous decline in its capital assets over the past three decades.

The Human Development Index is even more misleading. As the third and fifth columns show, it offers precisely the opposite picture of the one we should obtain, growing for sub-Saharan Africa during the 1990s and declining for China. Bangladesh and Nepal have been exemplary in terms of HDI, but both have decumulated their capital assets at a high rate.

The figures in the table are rough and ready: so we should arrive at conclusions very tentatively. But they show how accounting for human and natural capital can make substantial differences in our conception of the development process. The implication should be depressing: the Indian sub-continent and sub-Saharan Africa, two of the poorest regions of the world – with something like a third of the world's population – have become even poorer over the past decades ■

Prof. Sir Partha Dasgupta is the Frank Ramsey Professor of Economics at the University of Cambridge and Fellow of St. John's College, Cambridge. *This article is condensed from a paper written for* Our Planet *on the occasion of the World Summit on Sustainable Development, 2002. The full paper, with footnotes, is available in the electronic edition of the magazine at ourplanet.com. The ideas expressed here have been further developed in Sir Partha's book,* Human Well-Being and the Natural Environment *(Oxford University Press, Oxford, 2001).*

Ranuka Sirisoka/UNEP/Topham

Justin Castelnau/UNEP/Topham

BREAKING the grid lock

MARK MOODY-STUART oulines practical steps to bring renewable energy to a billion people in developed and developing countries by the end of this decade

Renewable technologies must first be used in the developed world, if they are to help bring benefit to the 2 billion people who have no access to modern energy. This was one conclusion of the G8 Renewable Energy Task Force, a multi-stakeholder group with members from government, the private sector, non-governmental organizations (NGOs), the World Bank Global Environment Fund, G8 nations, and non-G8 countries from China through India to Brazil and the Caribbean (see www.renewabletaskforce.org).

The Task Force's recommendations can be grouped into four main themes, addressing the questions: How do we bring down costs? How do we create the capacity necessary to install widespread renewables systems? How can we meet the unique financing needs of renewable energy? And, lastly, the issue of policies and subsidies.

The cost issue is fairly straightforward. The cost of every technology – whether mobile phones, gas turbines or farm technologies – comes down with experience. The more we make, the more ingenuity and creativity finds ways of doing things better with less. This involves developing the market – and the only energy markets big enough for this to be done cost-effectively are in the developed countries. Almost every one of these countries has already set itself targets or aspirations to generate, say, 10 per cent of its energy from renewables by 2010.

Channelling creativity

The creativity of the market has to be channelled to achieve this. There are many examples of how this can be done from all around the world. One is from Texas which, prudently, wanted a small percentage of renewable energy in its electricity supply. Under its system, suppliers can either generate the energy themselves or trade it in – or be fined more than the market clearing price. The low percentage and some federal tax breaks mean this has a negligible impact on costs.

Bringing renewable energy to millions of rural families in the developing world is a massive task. It will require thousands of small businesses capable of installing and maintaining systems. This may be a huge training and capacity-building requirement, but it is also a major source of employment and business creation. The franchise system that can build this kind of capacity is well known from traditional distribution and retailing – the systems which distribute gasoline and diesel in retail outlets or distribute and sell bottled or canned beverages or detergents. We need similar networks for solar home systems.

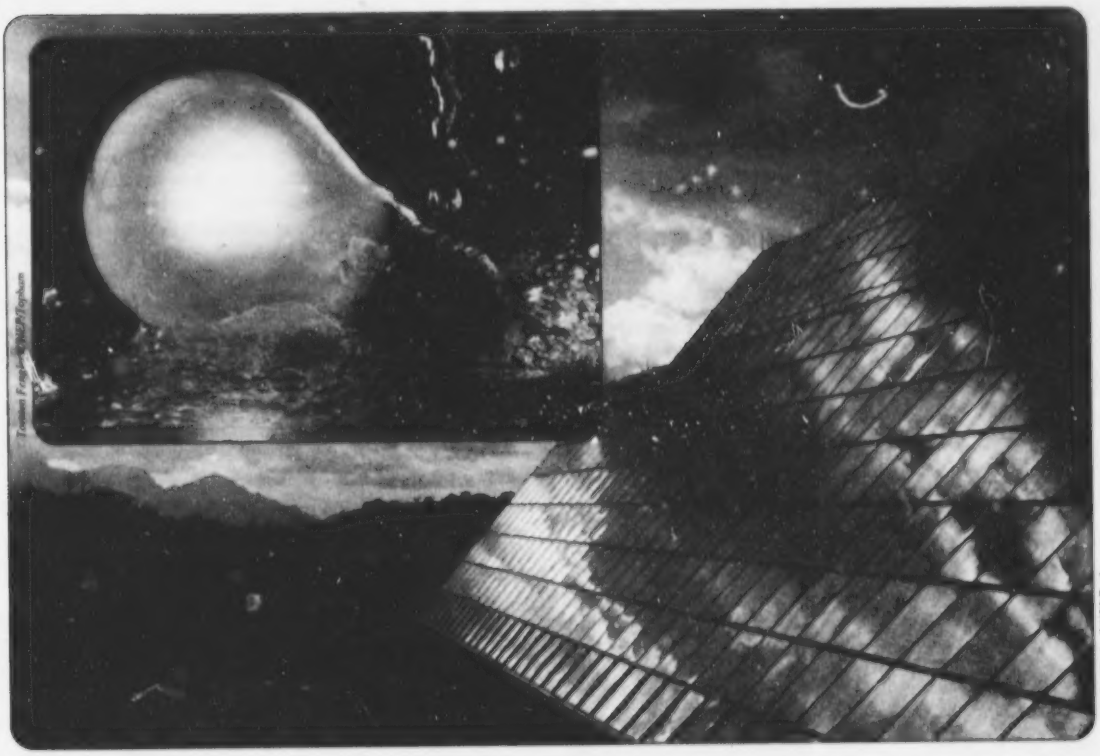
But increased capacity is not just needed in the developing world. The capacity to do proper integrated economics on the whole energy system before making decisions is needed in export credit agencies and international finance institutions. Renewable energy is already very often the most economic means of supply in rural areas if the costs of generation and of installing grids to villages are taken into account.

Packaging finance

This leads into the question of finance. A consumer buying a solar home system normally has to pay the full cost up front; the savings from avoiding fuel costs only come later. By contrast, a consumer connecting to the grid does not bear a share of the capital cost of either generation or the grid itself. These costs are either borne by governments or are spread over larger consumers elsewhere.

We have to find similar methods of breaking the concessionary finance available in large tranches down into small packages for individual consumers. E+Co have found methods in both Latin America and Africa of combining the financing and capacity-building challenges and are

Renewable energy is already very often the most economic means of supply in rural areas



Tsinuo Feng/UNEP/Topham

Caroline Taylor/UNEP/Topham

successfully delivering renewable energy systems to thousands of rural households. It can be done, and done commercially, but this requires changes to our usual current approaches. Without them, the default solution will be the well trodden path of conventional energy. Discounted cash flow analyses in the G8 report suggest that, on a global basis, a policy of aggressively supporting renewables could cost a maximum of 3 per cent more initially; this would become cheaper on a running basis after some 15 years, making it, overall, the more economic solution.

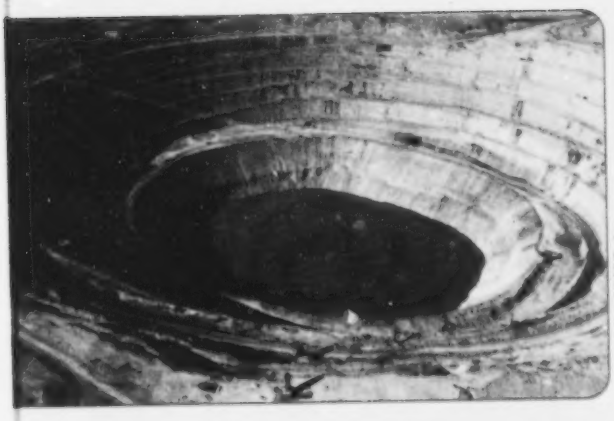
Policies and subsidies

The fourth challenge is to address policies and subsidies. Every new energy source has benefited from subsidies. Conventional energy still receives subsidies estimated at around $250 billion a year. Much of the export credit finance goes to conventional energy. Meanwhile fossil fuels for transport are heavily taxed, both at the point of production and, even more heavily, on consumption in many countries; this probably amounts to a trillion dollars a year. It would take only a very small modification of these very large flows to give a major boost to renewable energy.

The G8 report calculates that, if all its recommendations were followed, we could serve an additional billion people – 800 million of them in developing countries – with renewable energy by 2010. This could help address the unacceptable situation where a third of the world's people have no access to modern energy and are hence barred from a means to development. It would also acknowledge that developed economies must learn to to use renewable energy effectively. Only through this will technology development be accelerated, costs be brought down – and renewable energy become a more natural choice in developing countries, whether on or off grid.

Although the report was prepared at the instigation and request of the G8, the recommendations require action by many different actors – such as in the G8, the OECD, the multilateral agencies and developing countries. This makes it an ideal issue for the World Summit on Sustainable Development. Here all players can come together in partnership to deliver practical renewable energy solutions to the millions who desperately need energy, while simultaneously beginning the long process of changing the developed world's energy patterns. The Summit can also be used to raise consumer awareness – something already being done in many countries by such programmes as the Body Shop and Greenpeace's Choose Positive Energy Campaign, which aims at encouraging consumers in the developed world to opt for renewable energy ■

Sir Mark Moody-Stuart, formerly Chairman of the Royal Dutch/Shell Group of companies, co-chaired the G8 Task Force on Renewable Energy with Corrado Clini, and is currently the Chairman of Business Action for Sustainable Development.



TRAINING FOR **transformation**

RICHARD WIEWIORKA and **ROY A. HERBERGER** introduce a new training and community-building strategy for sustainable business

Evidence is now becoming conclusive that humanity is overusing the Earth's regenerative capacity. This was made dismayingly clear by a study tracking human impact on the biosphere in July's *Annals of the Academy of Science*. A research team stretching from San Francisco to Cambridge found that by the end of 1999 humankind was using 120 per cent of the Earth's ability to replace the resources taken from it every year. Humanity cannot continue to do this and expect to survive. Changes in the way we work, live and earn are needed quickly to bring us back into balance with our life support systems.

The gap between rich and poor compounds the pressure on the planet's life support systems. The world's disadvantaged should not be denied the chance of a better life, nor are they likely to be. But to achieve it, they need the positive attributes of the private sector – profit-making, international companies. Whether by investing their own funds or working under contract to governments or international organizations, it is private companies that stimulate economic development. They have access to the capital, the technology and the expertise that can stimulate job growth and wealth accumulation. Evidence shows that, in the long run, it is business that will tip the balance toward a better life for the poor and a sustainable world for everyone.

Dr. Emil Salim, Chairman of the Summit's Preparatory Committee, warns: 'If we continue as we have done in the past, we will sink.' But we believe that business can no longer continue in this way. John Elkington, in *The Chrysalis Economy*, shows that it is undergoing a global transformation from unsustainable capitalism to a totally different model of sustainable wealth creation. This transformation is driven by global forces beyond the control of any nation or country or company or international regime: Gib Hedstrom and Michael Isenber, writing in the *International Journal of Corporate Sustainability*, cite the scarcities of critical resources, the demand for corporate transparency, the power of the poor as markets and citizens, and the power of people everywhere as a determined, internet-organized global force for change.

Prodded by a worldwide community of over 50,000 non-governmental organizations (NGOs) – many of whom are at the World Summit on Sustainable Development (WSSD) – the question now facing business leaders is not whether their institutions can transform to a sustainable model, but how fast can they can do so. Nitin Desai, the Summit Secretary-General, expects WSSD to 'provide the impetus for specific action that will comprise a major departure from business as usual', challenging everyone to 'think big and go to scale'. To meet his challenge we have formed the Partnership for Sustainable Business (PSB), which will use a training and community-building strategy that gives business institutions the tools to transform at the scale and speed needed to restore our balance with the Earth.

The Partnership was announced this summer by Lord Holme of Cheltenham, Chairman of Industrial Services Group, LLC (ISG), a company that provides the private sector with solutions in resource conservation and risk reduction while creating profitable sustainability. It consists of Thunderbird, The American Graduate School of International Management; LEAD USA, the US Member Program of LEAD International; Innovest Strategic Value Advisors; and ISG. It is designed to use bottom-line directed training and cross-sector community-building to accelerate the transformation of businesses to sustainability.

Pooled resources

PSB will be driven by the merged resources of its constituent partners and will serve as a model for the community it intends to build. The linchpins of PSB's training programme will be Thunderbird and LEAD USA. Thunderbird, ranked Number One in international business education by the *Wall Street Journal* and *US News and World Report*, will utilize its 'Best of the Best' Executive Education Program to design, market and deliver training in sustainable economic development and global management leadership.

LEAD USA will bring liaisons with NGOs, and LEAD International's programmes and graduates, to build cross-sectoral communities of corporate executives and environmental and community stakeholders and add depth in human rights principles and practice. ISG will bring its expertise in managing industrial processes for increasing sustainability, its networks among resource extraction firms, and its own practice of building relationships with non-profit organizations. Innovest – an internationally recognized investment research firm specializing in environmental finance and investment opportunities – will add its expertise to courses that train business leaders in the valuation of sustainable investments.

In the next few months, PSB will produce its first comprehensive training programme, initially with a company in the global resource extraction industry. The strategy is simple: show companies the business opportunities in joining the transformation from unsustainable industrial practices to sustainable wealth creation, train managers in the tools needed to take advantage of those opportunities, and link them to the communities of stakeholders who can help them get there in win-win projects. This 'transformation by training and community' offers a collaborative strategy that accomplishes what the Earth needs and its advocates demand, by using tools that business understands – training, partnering and creating opportunities. Companies like Shell, Unilever, Aveda and Toyota know the value of this strategy and are using these tools of sustainable management. PSB intends to make them available to any institution whose operations have global scope and impact.

Training and networks

Thunderbird has assembled a team of its top Executive Training and e-learning staff, including Mary Teagarden, Professor of Global Management, Jennifer Spiess, Director of Instructional Design and Support, and E-Learning Specialist Stacy Ehrlick. LEAD USA will manage input from ISG, Innovest and NGO leaders. Together they will produce and deliver a training programme in sustainable development, human rights and stakeholder relationships. They will amalgamate the relationships made during the training to build a network of networks for sustainable development, using Thunderbird's 30,000-strong base of business graduates, the LEAD Fellows working around the world, and networks of NGOs and community stakeholders.

The sustainable development training and community-building programme – starting as a pilot project this autumn – will use face-to-face and e-learning tailored for executives, managers and supervisors in the participating company. Feedback from the pilot programme will buttress the design and delivery of programmes designed for the full range of companies in the resource extraction industries and, soon afterward, for all companies working globally.

Thanks to the resources of its partners, PSB will work on this 'rapid innovation schedule', delivering new training and community-building products to clients within three months of contract to spread the training and build cross-sectoral communities. By using Thunderbird's modular course design, world class faculty and facilities, and extensive e-learning and video conferencing capability, programmes can be quickly tailored for specific companies or industries and tuned to the needs of its customers. LEAD USA's wide-ranging networks among NGOs in environment, human rights and sustainability can rapidly introduce business to the stakeholders in collaborative communities to create

The business world now abounds with companies that are on the leading edge of the transformation to a sustainable model of wealth creation

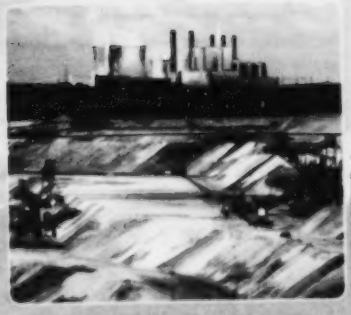
Kate Brett/UNEP Picture

opportunities that balance the Earth's capacity while building profits and shareholder value.

Some say that businesses cannot change, that profits and sustainability are not compatible. But the business world now abounds with examples that prove otherwise, companies that are on the leading edge of the transformation to a sustainable model of wealth creation. PSB will use its collaborative resources and the training and community-building strategy to accelerate that transformation in individual companies and entire industries. Together we can return humanity's balance with the Earth ■

Richard Wiewiorka is Vice Chairman of ISG, LLC, and Chairman of LEAD USA; Dr. Roy A. Herberger Jr. is President of Thunderbird, The American Graduate School of International Management.

BRING **big business** TO ACCOUNT

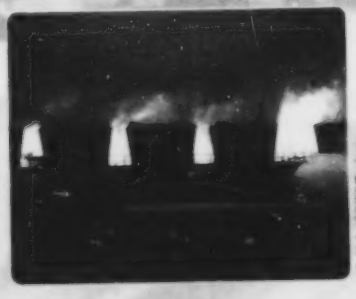


MARTIN KHOR calls on WSSD to rectify the Rio Earth Summit's failure to place binding obligations on transnational companies

The behaviour of big companies, and the need to make them more accountable, has captured public attention and interest like no other issue in recent discussions on sustainable development. Many citizen groups have made corporate accountability their prime concern in the process leading to the World Summit on Sustainable Development (WSSD). They want the Summit to establish a global system to regulate the practices of corporations – to prevent them further damaging the environment; from manipulating currencies, profits and markets; and from violating the human rights of their workers or local communities.

Dubious practice

In the past few months, the issue has sprung into the forefront of public consciousness through the revelations, one after another, of fraudulent or misleading accounting practices in big-name companies. It is now clear that several companies had been 'dressing up' their bottom lines to show healthy profits when they were in fact making losses. When the true situation was exposed, confidence plunged both in these companies and in the stock markets generally. Investors doubt the accuracy of the corporations' accounts, undermining the basis of investing in stocks. Thousands, even millions, of workers and investors lost much of their life savings as the value of stocks fell. Overnight, the stature of many corporate chief executives descended to record low levels. Once lauded as icons and role models, they are now seen as grossly overpaid, manipulative and even plain crooked.



This has very significant implications for sustainable development. Maximizing short-term profits had been the most important corporate operating principle in many developed countries. Companies' announcements caused their stock price to rise or fall dramatically and, to avoid being taken over, they had to show high profits. But the rise of 'shareholder capitalism', and its obsession with short-term performance judged by profitability, has led the entire market system to the brink of worldwide economic slowdown. Some analysts even predict financial meltdown.

The recent financial scandals are only one facet of the crisis in corporate accountability. The dominant trend of deregulation and liberalization has increasingly allowed companies to do much as they like, as already inadequate controls over them are lifted. Perhaps the 1992 Rio Summit's biggest error was its decision not to create a mechanism to regulate corporations. Even then, non-governmental organizations (NGOs) like Third World Network and Greenpeace had identified the leading role of transnational companies (TNCs) in damaging the environment, pointing out that:

- **Their activities generate more than half the greenhouse gases emitted by industrial sectors with the greatest impact on global warming.**
- **They dominate trade in – and often also the extraction of – natural resources and commodities, thus affecting forests, soils, water and marine resources. They dominate mining, for example, and control about four fifths of the land cultivated worldwide for export crops.**
- **They similarly dominate global and national industry and transport, and their activities result in pollution, industrial and occupational hazards, toxic wastes and unsafe products.**
- **They are major transmitters of environmentally unsound production systems and hazardous materials to the South – including unsafe pesticides, polluting industries and hazardous wastes. They also promote unsustainable consumption patterns in both North and South.**

The Earth Summit, however, decided that these companies could be trusted to change themselves and failed to place obligations on them to behave in an environmentally or socially responsible way. Since then, the trend of handling TNCs with kid gloves has accelerated. They are seen by the United Nations Secretariat not as powerful forces that need to be brought under control, but as responsible partners who would actually lead the world to sustainability. The UN now treats companies as part of 'civil society', as partners in a 'Global Compact' with the UN itself, and as a vital component in the so-called Type Two Partnerships that are supposed to be a major part of WSSD. These

Sustainable development loses when governments give up their task of regulating companies

increasingly close links are bound to bring embarrassment to the UN if, for example, many of these 'partners' turn out to have engaged in fraudulent accounting and other unethical practices.

The record of the last ten years has confirmed that sustainable development loses when governments give up their task of regulating companies. The accounting scandals have again exploded the myth that voluntary action or self-regulation by industry will take care of corporate responsibility. Case studies of the performance of many TNCs show that there has been little change – despite public relations claims of greater corporate responsibility, and more voluntary industry codes of conduct – as they continue with environmentally harmful activities. Environmental concerns have fallen down many notches on national and international agendas as globalization has placed each country and company under intense pressure to compete.

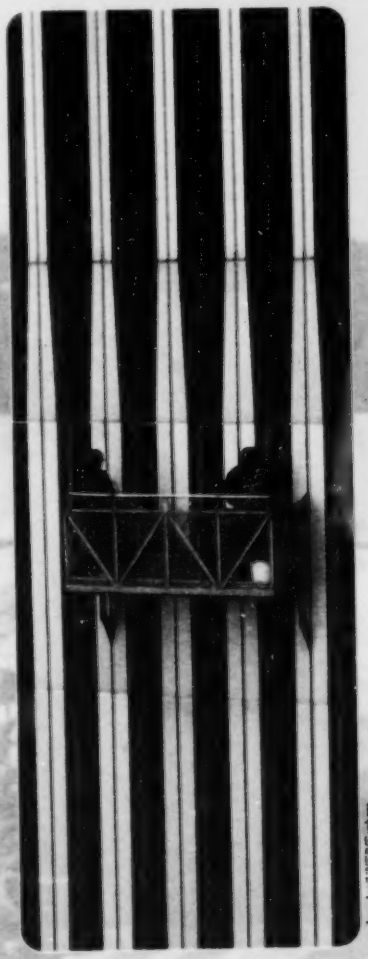
Urgent task

WSSD thus has the urgent task of placing the regulation of corporations back onto the international agenda. It is impossible to expect self-regulation by companies in the present highly competitive economic circumstances. Public regulation is needed, through setting industry-wide standards backed up by law and effective enforcement. Individual governments, however, cannot be expected to control TNCs on their own. Faced with the fierce competition between countries, governments will be reluctant to legislate standards higher than those of their competitors. Besides, TNCs are now so huge in terms of assets, turnover, employment and investment that they dwarf many countries. Most governments, by themselves, are unable even to begin adequately to monitor – let alone regulate or control – the TNCs operating within their territories, due to lack of information, absent or inadequate corporate disclosure, and their sheer lack of clout or influence in the face of immense TNC power.

Thus monitoring and regulation of TNCs is at least as important at the international or multilateral level as at that of individual governments. Without it, there would be no adequate or effective means to monitor and check the environmentally harmful activities of the world's major economic agents – and there would be no movement towards effective solutions to the global environment and development crises.

WSSD should thus begin a process towards a binding framework on corporate accountability. This should contain provisions for public regulation and monitoring such matters as public disclosure of information, health and safety, environmental effects, and social and developmental implications. It should set up activities to monitor, to analyse, to develop criteria and principles for ethical and environmentally sound behaviour, and to regulate the activities of TNCs. Among the areas to be covered are: environmental, health and safety aspects; social and developmental aspects; and restrictive trade and business practices that deprive states and the public from gaining their full benefits. TNCs should also be made liable for compensation for the harmful effects of their operations on the environment, safety and health.

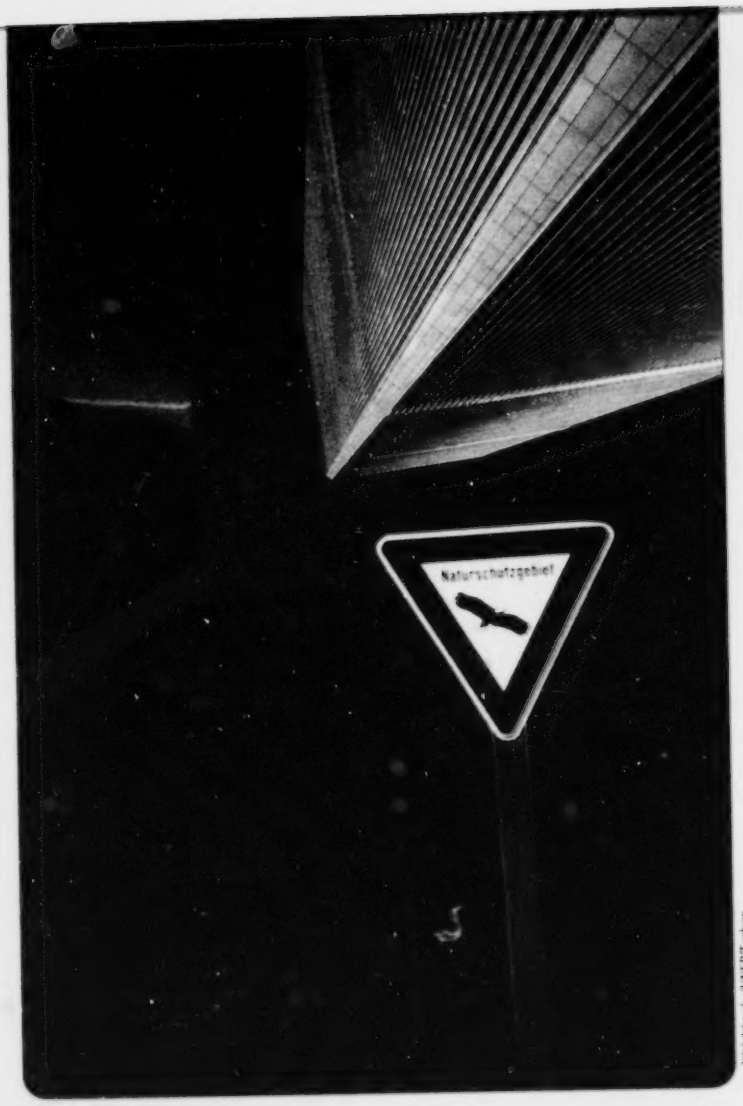
The WSSD and post-WSSD process should reaffirm the principle that states have the right to regulate the entry, establishment and operations of TNCs – and that TNCs have the duty to respect national sovereignty, to respect the public's health and environmental rights, and to refrain from financial, pricing or technological activities that cause socioeconomic difficulties to the host countries. These principles were contained in the draft Code of Conduct on TNCs that unfortunately was abandoned in the early 1990s.



Leuchs/LNP/Topham

WSSD should send a clear message – that the rights and freedoms of TNCs and other businesses must take second place to the rights of the public and states to subject them to regulations, laws and guidelines that can reduce the environmental and development problems threatening to engulf both Earth and humanity ■

Martin Khor is the Director of Third World Network.



Dirk Salomon/UNEP/Topham

Out of the **changing room**

PETER H.Y. WONG argues that businesses can become good corporate citizens through sustainability reporting and urges more companies to take it up

Corporations can be good corporate citizens without having a gun pointed at their heads – even if their officers and directors may sometimes need to be sent to jail for infractions.

There are many confusing buzzwords: corporate responsibility, governance, citizen, and accountability – but their common objective is sustainability. That's what stakeholders want – a return that doesn't vanish overnight.

There has been a slow-down in the economy as entities become increasingly wary of trusting each other's financial statements. What was once a relationship of reciprocal reliance on each other's self-evaluations has become one of sceptical scrutiny.

Corporations can prove their commitment to a better environment by building their reputation in the community. Take MTR Corporation Limited, a publicly listed corporation in Hong Kong with 7,200 employees, whose mission is to develop and manage a world-class railway together with property and other related business. Carrying 2.2 million passengers a day over 82.2 kilometres of track, its has one of the world's finest records for reliability, customer service and cost-efficiency.

It chose voluntarily to produce a Sustainability Report for 2001 to try to demonstrate environmentally and socially responsible sustainable returns to its shareholders – a step in the right direction which inspired stakeholder confidence and showed it to be a good citizen. The report followed the Global Reporting Initiative (GRI) Guidelines, and was verified by an independent consultancy and reviewed by an external sustainability expert. The report reflects the ten sound reporting principles: transparency; completeness; inclusivity; accuracy; consistency; clarity; neutrality; timeliness; verifiability; and sustainability context.

Similarly, The Esquel Group (TEG) – a privately owned Hong Kong-based textile and garments manufacturer that employs 44,000 employees mainly in China – used the GRI Sustainability Reporting Guidelines to develop a general checklist to identify key issues concerning its environmental, economic and social performance, as a tool for self-assessment and improvement. It will use this process to promote its management's commitment.

Great concern

The company says in its report that it is concerned for the Earth and its inhabitants, and can demonstrate that its efforts are genuine. For example, it built a $3.6 million wastewater treatment plant at its Gaoming facility to clean its effluent, though this was neither subsidized, nor mandatory by law.

As an accountant, and a former legislator in Hong Kong, I am privileged to have worked in all sectors of the community. It is clear that sustainable development now greatly concerns individuals and companies. To realize it, a corporation must deliver economic prosperity, environmental

quality and social equity to its stakeholders – that is, everyone affected by its business, including shareholders, customers, employees, neighbours and suppliers.

Sustainability reporting can add value to the process by making the company transparent, credible and accountable. There are good business reasons for it:

1 It is a management tool for improving overall corporate performance across the triple bottom line: profit, environment and social. It is also a conduit for linking such corporate functions as finance, marketing, operations, and research and development. The process of sustainability reporting provides an indicator of trouble spots and unanticipated opportunities.

2 As global capital markets and information technologies expand they create social inequities as well as opportunities for wealth. The result is pressure on companies to account for the social impact of their actions and to describe them credibly.

Pressure groups rightly point out the injustices around the world where the rich get richer and the poor poorer. They infer that one is doing so at the expense of the other. The GRI process enables companies to examine their business models so that the least harm (and, in some cases, even good) is done. If it proceeds to report the full facts objectively, stakeholders can be better assured that this is indeed happening.

3 The Internet speeds up the transfer of information so that customers, investors, suppliers, employees and other stakeholders clearly articulate their demands and needs at an ever increasing pace. The competitive advantage goes to companies that respond to that call.

4 Corporations, especially the largest ones, have more and more influence over national economies – even at a global level. So they must demand high standards of ethics, transparency, sensitivity and responsiveness from their corporate executives and managers. As the decisions of key players in organizations are now under increasing scrutiny, effective corporate governance depends on relevant, high-quality and credible information.

Dana Bartsch/ NEP/Topham

If there is nothing to hide, sustainability reporting can only enhance a company's reputation

All this being so, it is hard to understand why most corporations are still in the changing room and not on the playing field. If there is nothing to hide, sustainability reporting can only enhance a company's reputation. By providing better information to its stakeholders, it encourages two-way communication, building a stronger relationship with the stakeholders and a stable foundation for development.

Stakeholders have genuine difficulties in recognizing the honest efforts made by companies. That is where GRI comes in. The goal is not to achieve perfection, but to reveal genuine efforts. It comes down to this: we can either focus on making short-term profits now at the expense of our future, with the ensuing inevitable costs to society, or we can focus on a long-term plan that will enable us to continue to make profits.

Global guidelines

GRI is a long-term, multi-stakeholder, international undertaking whose mission is to develop and disseminate globally applicable guidelines for voluntary use by organizations reporting on the economic, environmental and social dimensions of their activities, products and services.

It represents a consensus that has developed over the last five years between many stakeholders. It provides 'principles' and specific content to guide a company in preparing a sustainability report, including its corporate economic, environmental and social performance. The framework also makes reports useful and comparable, so that a company can benchmark against its peers, industry codes of conduct, performance standards and other voluntary initiatives.

Corporate responsibility is an intriguing buzzword, but it still holds different meanings for different people. These inevitably lead to different methods of implementation. There are further discrepancies in how people report what they set out to do, and how their performance measures up to their goals. So the practice still falls way short of the ideal. If sustainability reporting is done in an organized, objective and standardized way, such as by following the GRI Sustainability Reporting Guidelines, it will convert the sustainable efforts that a company makes into a business advantage. This is just one facet of the work a company must undertake to give assurances of sustainable development to all its stakeholders and hence grasp corporate responsibility ■

Peter H.Y. Wong is a Consultant of Deloitte Touche Tohmatsu, Hong Kong.

Dear Delegates,

Welcome to South Africa, the land of my birth, my education and my future. It is a living paradise, a multi-ethnic melting pot of vastly differing cultures and colours. It has it all: sunny skies, glorious beaches, scenic hills and valleys, breathtaking rivers and streams, and the savage splendour of our game reserves.

But it also has thousands of children dying from AIDS. We have inherited a legacy of heart-breaking poverty, illiteracy, unemployment, disease, violence, corruption and crime – which can all be traced to our basest instinct, greed. The mammoth challenge of eradicating these problems worldwide is definitely within our intellectual, technical and economic capacity to overcome. It is not just desirable, but attainable!

We have the natural and human resources to do it. But humans seem to have lost sight of all goals except the accumulation of wealth.

Yes – we need strong economies generating wealth, but let it be wealth to serve the needs of the homeless, the hungry, the sick and those that are excluded and deprived. Let it not be to serve the greed of a few for new cars and larger mansions.

Please be influenced not by the many pressures from voters, interest groups, your own background and ideology – but by the needs of the people and the environment. Please challenge each other to find solutions to the many problems that we are facing.

The way in which you handle this task will determine whether or not my children will be able to enjoy this living paradise – and whether the young and future generations around the world will also have a sustainable future.

And, of course, finding solutions is only the beginning. When you go home, will you do what you say you intend to do? Will you implement those solutions, and carry out your promises? My own and future generations are depending on you answering 'yes' to these questions. Hope is being generated throughout the world that you will do as you have promised, that you will make the right decisions, the brave decisions, the decisions that future generations will look back on and say: 'Thank you for thinking of us back then.'

Show us that we do not have leaders who do things for the money, for fame, or to satisfy some greedy cravings. Prove to us that we have leaders with good intentions, who want a positive change and who are prepared to give their all to attain it. Show us that our leaders truly care about our future and treasure this fabulous gift that God has blessed us with. Please do everything in your power to ensure that we can remove the restrictions which prevent us from having viable, vibrant and sustainable economies which will enable us to solve our problems.

Let not succeeding generations accuse us of not preserving and safeguarding this unique and amazing gift. Let us use this Summit to celebrate how far we have come. Let us stand united, hand in hand, heart to heart, so that everyone may enjoy this amazing land – and this phenomenal planet.

Sincerely,

Bushra Razack

Bushra Razack, 16, of Ladysmith, South Africa, is one of the young editors of Peace Child International's Rescue Mission 2002, *which celebrates progress towards sustainable development since the Rio Earth Summit, and is published at WSSD.*

Sharine Ricketts/UNEP/Topham